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*The Dynamics of Local Economies
and Deprived Neighbourhoods*

The Dynamics of Local Economies and Deprived Neighbourhoods

This report is in two parts. Part One provides overview and analysis, drawing on literature and case study research. Part Two provides more detailed descriptions of the research case studies. The summary reflects this, with Part One summarising Part One of the report, and Part Two summarising Part Two. The fieldwork for this research was undertaken during 2004 and 2005.

June 2006

The Dynamics of Local Economies

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SUMMARY OF PART ONE

Overview and Analysis

Context and Aims

- Issues of employment and economic development are central to current policy initiatives seeking to promote the regeneration of deprived neighbourhoods. Yet there remains an apparent limited understanding of the economic context in which concentrations of worklessness exist and of the most appropriate types and levels of policy intervention. In consequence, there is a lack of a strong economic dimension in much current neighbourhood renewal activity which is constraining its effectiveness.
- An improved understanding of the economic dimension to the problems of deprived neighbourhoods requires attention to three issues. First, how the structure of local economies within which deprived neighbourhoods are located, is changing with regard to sectoral composition, local labour markets and the roles performed by private, public and third sectors. Second, the extent to which the economies of deprived neighbourhoods are fundamentally different from other neighbourhoods and the extent of variations between them. Third, the manner in which the economic features of deprived neighbourhoods are embedded within wider local, town/city and regional economies and labour markets.
- The objective of this review is to provide greater comprehension of the dynamics of local economies within which deprived neighbourhoods are located, in order to identify the implications and lessons for policy development within the context of the neighbourhood renewal agenda. It seeks to answer a number of related questions:
 - What are the characteristics of local economies and how are these embedded within wider urban, regional, national and global economies?
 - What are the differences in the dynamics of the economies within which deprived neighbourhoods are situated?
 - What are the distinguishing economic features of deprived neighbourhoods and how do these differ between areas and neighbourhoods?
 - What is the economic dimension of processes of change and is it possible to identify particular economic trajectories in the evolution of deprived neighbourhoods?

- The review presents evidence obtained from a comprehensive examination of existing literature combined with original analysis of five local economies selected to ensure coverage of deprived neighbourhoods within different types of local/regional contexts (coalfields, inner city areas, coastal resorts, etc). In each case study district, contrasting deprived neighbourhoods were analysed to highlight differences in the economic contexts in which neighbourhoods are situated.
- The review is divided into two parts. The first part combines a review of the existing literature followed by an overview of findings from the five case study areas to provide an evidence base for considering future policy development. The second part presents more detailed discussion of each of the five case study areas.

The Local Economy and its Wider Spatial Context

THE LOCAL ECONOMY IN CONTEXT

- What constitutes a local economy remains weakly defined. Central to all definitions is an emphasis upon how local level economic activity is fundamentally linked into wider national and international processes and structures, and understanding these linkages is central to the dynamics of local economies.
- Notions of local economic development are important in their explicit recognition that economic processes are profoundly territorial and that spatial variation in levels of economic activity is a fundamental feature of the economic development process within market economies.
- Recent years have seen increasing recognition of the key role of local and regional scales in current processes of global economic development. The apparent shift away from the economic primacy of the nation state and a relative rise in the importance of firms, institutions, and state bodies operating at the global and sub national scales points to a 'rescaling' of economic activities.
- The production of new patterns of spatial development, including localised concentrations of deprivation, are a key characteristic of recent processes of economic restructuring within a globalising economy.

ECONOMIC CHANGE AND SPATIAL DEVELOPMENT

- A central feature of recent economic restructuring is the development of new spatial patterns of unemployment and worklessness throughout advanced industrial economies. In the UK, high levels of unemployment and inactivity have become entrenched within certain groups and areas,

particularly the large cities in northern Britain and inner London, but also former coalfield areas and some seaside towns.

- A major driver of such change in the UK has been the uneven spatial impact of job losses via processes of deindustrialisation and service sector led job growth. A defining feature of service sector employment growth has been the increasing polarisation between relatively well paid professionals working in the knowledge industries and low paid workers in insecure and low grade service sector employment.
- Spatial concentrations of unemployment reflect a variety of factors including weak labour demand (eg in some older industrial northern towns and coalfield areas), the types of jobs being created and the relative inability of the most socially excluded to compete effectively for them (eg in London), and in-migration outstripping job growth (eg in seaside towns). Careful attention is required therefore to issues of supply and demand in local and regional labour markets and their interaction with local housing markets and population change.

RELATIONSHIPS BETWEEN ECONOMIC COMPETITIVENESS AND SOCIAL COHESION

- The persistence of concentrations of poverty and deprivation within prosperous as well as less prosperous urban areas in the UK is well-evidenced. That low-income disadvantaged neighbourhoods persist through successive periods of economic development suggests they perform a structural role within the operation of the wider urban economy via the production and reproduction of low cost labour.
- The extent to which current concentrations of economic deprivation enable or constrain economic competitiveness remains poorly understood. Competitive success appears to be compatible with persistent concentrations of unemployment and does not eliminate inequality or concentrated disadvantage.
- The lack of strong evidence of the relationships between economic competitiveness and social cohesion may be partly due to the difficulty of identifying such complex relationships. However, it also suggests that the primary justification for policy intervention in deprived areas should be that of social justice, reducing poverty and improving the quality of people's lives, rather than relying upon improvements in economic efficiency and growth.

LOCAL ECONOMIC POLICY AND SCALES OF INTERVENTION

- Whilst much local economic policy during the 1980s and 1990s was strongly oriented at the local authority district scale, during the 1990s a greater emphasis began to emerge upon a multi-level approach. The issue of how economic development is unfolding at different spatial scales, and its

implications for the most appropriate level for policy intervention is a central challenge for the development of local economic policy.

- Only a small proportion of economic activity is organised at the neighbourhood scale. Job markets and major investment decisions operate at higher spatial scales. Consequently, the neighbourhood scale has traditionally been the focus for only a limited range of economic interventions.
- Neighbourhood economic activities play an important role in terms of quality of life and everyday coping strategies. Neighbourhood level interventions have particularly focused upon economic actions that create employment and additional sources of income, and also build social networks, local participation and co-operation, and develop community and individual capacities.
- The local scale has been the principal focus for much local economic policy in the UK largely because the local authority has had a key role in delivering national programmes and developing local strategies. However, the sub-regional level is commonly identified as the most important in terms of addressing many labour market issues.
- The limitations of spatially targeted initiatives to tackle the root causes of the problems they seek to address are well recognised. Area based initiatives do provide the appropriate level to understand local conditions and organise effective partnership action, but must be integrated and co-ordinated with policy interventions across different spatial scales, including mainstream government programmes.
- A central policy concern is how to link the socially excluded into processes of economic growth more effectively and best co-ordinate policy interventions operating at different spatial levels to achieve this. This requires careful understanding of the particular context of deprived areas and how they are linked into the wider sub-regional and regional context.

The Economic Distinctiveness of Deprived Neighbourhoods

ECONOMIC CHARACTERISTICS OF DEPRIVED NEIGHBOURHOODS

Types of Capital

- In comparison to the economies of more prosperous areas, deprived neighbourhoods exhibit a relative weakness of the private sector in terms of employment, investment and service provision, with the public and third sectors assuming a relatively more important role.
- Deprived neighbourhoods are distinguished economically in terms of their labour market characteristics, most notably by relatively high levels of unemployment and worklessness, low rates of economic activity and

employment, low levels of skills and education and of wages and household income. Levels of formal entrepreneurship and small business formation also tend to be lower, whilst the role of informal economic activity is relatively more important for residents in terms of getting by on a day-to-day basis.

- Deprived neighbourhoods suffer from low levels of existing human, financial and physical capital. Attracting in private finance and investment suffers from perceptions of weak market demand, low levels of skills and the adverse quality of the environment.
- In terms of social capital, deprived neighbourhoods with relatively stable populations may have levels of intra-community 'bonding' social capital that are equal to, or above, that of more affluent districts. The downside of heavily bonded communities is an insular and exclusionary local culture which limits connections to external networks. There is often an absence of extra-community 'bridging' social capital, which connects different groups and individuals to a wider range of social networks that extend beyond their community.

Differences between deprived neighbourhoods

- Although it is possible to identify certain common economic characteristics of deprived neighbourhoods they also exhibit fundamental differences.
- Residential sorting mechanisms associated with the allocation of social housing and the availability of low cost rented property are often the primary factors in the emergence of concentrations of deprivation. These sorting mechanisms vary within different neighbourhoods and have important second order effects.

AREA EFFECTS AND ECONOMIC DEVELOPMENT IN DEPRIVED NEIGHBOURHOODS

- A range of 'area effects' can be identified with respect to deprived neighbourhoods which compound problems of concentrated disadvantage. A useful distinction is between those effects that flow from the characteristics of the population (eg socialisation processes, restricted social networks, stigmatisation of residents, high burden on local service provision), and those that flow from the characteristics of the place itself (poor-quality and/or absence of private services; lower standards of public service provision; features of the built environment; the physical isolation of a neighbourhood; and high levels of environmental pollution).
- There is considerable dispute within the academic literature as to the existence of area effects and their relative importance. Whilst there is stronger evidence from the US, in the UK a number of reviews have concluded that the evidence for neighbourhood effects is weak and that they are less important than other factors. This lack of clarity in part results from the methodological problems of empirically demonstrating area effects.

Labour market exclusion

- Existing evidence suggests that neighbourhood effects are marginal compared to factors related to individuals and households. However, neighbourhood effects do compound problems of labour market exclusion, most notably through the development of localised attitudes and expectations of work, restricted social networks and employer discrimination against stigmatised neighbourhoods.
- Constrained social networks are important in restricting access to the formal labour market. First, limited links to more advantaged mainstream groups which provide important information, material support and moral/cultural examples results in restricted knowledge of workplace expectations, opportunities for career development and education and training, and the geographical scope of the job search process. Second, there is a lack of integration into informal recruitment practices which are routinely used by employers. Third, the movement out of those in employment removes role models and truncates the development of social networks which would help improve access to employment.
- There is evidence for the existence of the negative impacts of area reputation and stigma, but only limited research evidence of overt discrimination against employing residents from deprived neighbourhoods on the basis of their residential address (a form of 'postcode discrimination').

Levels of Private Sector Activity and Investment

- A number of neighbourhood effects contribute to the low and declining levels of formal private sector activity that characterise deprived neighbourhoods. These include the nature of the local environment, low levels of demand and competition, and active discrimination by businesses against stigmatised neighbourhoods.
- The withdrawal of private sector services from deprived areas has created 'under-served markets' in low income inner-city areas which have attracted some businesses back to these areas. This process has been most apparent in the US. The potential for promoting greater business investment in underserved markets has been recognised in the UK.

Levels of Public Sector Services and Investment

- The often poor quality of public sector services within deprived neighbourhoods reflects the characteristics of the population living within the area, as well as the existence of a more difficult operating environment.
- Evidence for the poor quality and overstretched nature of public sector services in deprived areas is provided by a range of studies. The quality of public sector provision is important economically to deprived neighbourhoods in terms of the attractiveness of the physical environment to residents and businesses, the ability of residents to gain and retain employment, and the effectiveness of services directly related to employment and economic development.

IMPLICATIONS OF NEIGHBOURHOOD EFFECTS FOR POLICY DEVELOPMENT

- The significance of neighbourhood effects is in how they compound other factors of disadvantage to shape the 'opportunity structures' of residents of deprived neighbourhoods. Policy development therefore needs to focus upon the importance of tackling problems within deprived areas in an integrated and simultaneous manner, through the complementary development of mainstream programmes and bottom-up neighbourhood policies.

Spirals of Decline

- Considerable evidence exists of neighbourhoods entering spirals of decline, although there has been little attempt to model this process more formally. Better understanding of how spirals of decline occur in practice focuses attention on the dynamic processes creating spatially focused deprivation and permits better identification of interventions that can arrest, reverse or prevent decline.

ECONOMIC CAUSES AND TRIGGERS FOR NEIGHBOURHOOD DECLINE

- The root causes of neighbourhood decline in the UK are primarily the result of interrelated processes of economic restructuring and the decline of traditional sectors, widening social inequalities and population loss. The impact of these broader level processes varies depending on the characteristics of particular neighbourhoods and the wider local and regional context in which they are embedded.
- The majority of deprived neighbourhoods have always been low income areas, although some have previously enjoyed greater levels of prosperity (eg coastal resorts, certain inner city areas). Such differences are important to understanding the nature in which general processes have combined with local specificities to initiate and intensify spirals of decline.
- Within the operation of these long term causes, particular events are often important in triggering a marked acceleration in decline, most notably the closure of a major employer. Urban redevelopments that provide new housing opportunities outside of the area, civil disturbances and lawlessness, or a rapid change in the ethnic and racial composition of an area, may also act as 'tipping-points' for change.

SPIRALS OF ECONOMIC DECLINE

- Little academic work has focused specifically on the role of economic factors within spirals of decline in deprived neighbourhoods. However, research relating to 'vicious circles' from housing, labour markets, private sector services and social capital, do provide valuable insights.

Housing markets

- Processes of neighbourhood decay, with a focus upon private sector housing, highlight the interaction between the composition of residents in the neighbourhood, the economic conditions of the properties, and the physical condition of buildings and the neighbourhood as a whole. These models highlight the importance of private sector investment into housing for owner occupation and rent, and how the loss of investor confidence leads to reduced maintenance and investment as profits and land values fall.
- In the interaction between economic processes and the operation of the housing market a key relationship exists between income inequality, urban segregation and social exclusion. Access to locationally fixed amenities (schools, parks, etc.) appears to depend on a household's position within the distribution of income of the urban area, rather than absolute income, thus pointing to the importance of income distribution as a driver of residential segregation and social exclusion.
- In the UK the high proportion of local authority or social housing stock in deprived neighbourhoods significantly influences the operation of private sector markets and introduces different sets of factors that contribute to processes of decline related to the criteria and processes for the allocation of public sector housing.
- A falling area reputation and population loss leads to an increased outward movement by those in employment, whilst in-movers are restricted to those with least choice. There is evidence of a 'get on and get out' syndrome, whereby a person living in a deprived neighbourhood who enters employment has an increased possibility of moving out of the area. The falling proportion of those both in employment and in better paid employment further reduces neighbourhood linkages into local labour markets.

Labour markets

- Concentrations of unemployment are principally the result of person-related factors and differences in population mix. They persist due to recurring patterns of job loss, often sectorally rooted, and through past experiences of unemployment actively promoting concentration.
- The geography of concentrated unemployment only partially reflects that of job loss and job growth. Vicious circles that link local unemployment to local social outcomes through factors such as access to job information, short-term jobs creating interrupted work histories, health deterioration, family fragmentation, and educational underachievement, act to further reduce the employment prospects of residents in the short and longer term.

Private sector services

- The withdrawal of private sector services from deprived neighbourhoods occurs via a mutually reinforcing negative cycle involving the declining quality of the local environment, falling levels of demand and active area discrimination. Low levels of private sector services make a neighbourhood less attractive to live in, thus further destabilising communities.

- For retail activity in particular, the appearance and nature of the local environment is a critical factor that often plays a key role in their withdrawal from deprived neighbourhoods. Furthermore, low and declining levels of demand lead to a fall in the level of service provision and reduced competition, often resulting in poorer quality and higher cost services.

Social capital

- Change in the resident population influences the extent and strengths of social ties and networks. Although existing residents may have sets of institutional and social ties built up through interaction over time and through shared norms, incoming populations are often more transient, with fewer local networks and little commitment to the neighbourhood. Population succession therefore leads to increased fragmentation of the resident population and can contribute to the weakening of existing stocks of local social capital.

ARRESTING AND REVERSING DECLINE

- Descriptions of spirals of decline within deprived neighbourhoods commonly draw attention to the operation of wider processes and the need for policy responses at that level.
- A focus on the economic dimension of spirals of decline brings to the fore the importance of certain factors and the need to deal with them in an integrated manner that is informed by an understanding of the particularities of any given locality.

Fixing and attracting population

- Greater policy attention is required to the retention and attraction of residents to less desirable urban areas. To date, most policies have sought to develop more socially mixed and integrated neighbourhoods via physical planning, improving the general quality of the environment, and seeking to encourage social integration and community cohesion. There is potential for the greater use of fiscal incentives to attract individuals, although it remains difficult to fundamentally change population location patterns.
- Doubts remain as to how effectively socially marginalised peoples can be drawn into local networks and develop shared values, networks, and a sense of belonging within mixed ethnic neighbourhoods.
- Seeking to fix sections of the population moving out of deprived areas requires clear understanding of the interface between local processes of economic and housing market change. The complexity of this relationship suggests the importance of clear analysis of local conditions and the importance of developing locally sensitive policies.
- Policies that improve employability and access to jobs of those living within a deprived area can actually promote selective mobility. Therefore, developing the skills of individuals needs to be undertaken alongside policies that build up local communal resources and networks which will be retained even after selective out-migration occurs.

Tackling localised worklessness

- Targeting job creation at areas of unemployment concentration has few advantages over a more regional approach, as rates of leakage out of the local area are extremely high. Instead attention should focus upon interventions that help disadvantaged local residents to compete successfully for jobs either inside or outside of the areas.
- Concentrations of unemployment can only be removed by a combination of supply-side measures targeted at all the links in local processes that reproduce them, and sustained full-employment in the relevant region. The competitive disadvantage of local residents of deprived neighbourhoods within the labour market is the result of previous experiences of unemployment compounded by various social forces, and it is these factors that need to be addressed in an integrated and comprehensive manner within deprived areas.

Retaining and expanding private sector services

- Area stigma is an important factor shaping private sector investment decisions. The importance of a greater emphasis upon the improvement of 'place-image' throughout neighbourhood renewal programmes is emphasised by research findings.
- In seeking to retain retail provision on a long term basis attention needs to be paid to the retail market place within the overall framework of wider local and sub-regional retail activity alongside resident involvement in identifying needs and aspirations.
- A combination of top-down and bottom-up initiatives to tackle service exclusion involves national regulatory responses, alternative community provision, persuading major service providers to reinvest in over abandoned areas, and tackling 'compound' service exclusion holistically.
- The model of 'underserved markets' in many deprived areas, especially in the retail sector, suggests that by providing a competitive offering, outlets can increase local sales, local jobs and consumer demand in a virtuous circle. US experiences demonstrate that attracting in private sector reinvestment is possible and important to the regeneration of neglected inner city areas, but also the dangers of displacing former residents via processes of gentrification.

Identifying areas on the brink of decline

- Despite the potential importance for policy development, there is little academic work to date on areas on the brink of economic decline other than some recent work on the longer term sustainability of the suburbs. There is an opportunity for more research on this issue.

Case Study Findings

CASE STUDY AREAS

- The methodology included the analysis of five case study local economies defined at the local authority district scale and selected to cover a range of deprived area types within different regional contexts. The case studies comprised Sunderland (in the North East region), Oldham (in the North West region), Mansfield (in the East Midlands region), Brighton and Hove (in the South East region) and Newham (in London).
- As well as examining economic change at the district scale, the case studies focused upon a number of deprived neighbourhoods, defined at ward level and identified via the Index of Multiple Deprivation. These provided insights into the particularities of neighbourhoods, and differences between them in terms of their economic contexts and their dynamics of change.
- The analysis of each of the case study local economies comprised the collection and review of locally produced economic development related reports, the analysis of government databases relating to the structure, evolution and characteristics of the local economy, and interviews with 'key actors' involved in economic development and neighbourhood renewal.

ECONOMIC FEATURES OF LOCAL ECONOMIES AND THEIR DEPRIVED NEIGHBOURHOODS

- The case study areas reveal considerable similarities in their economic characteristics and recent evolution and important differences that are reflected in the nature and scale of deprivation within the most deprived areas. They range significantly from Newham which was ranked as the 5th worst local authority district on the basis of the Index of Multiple Deprivation in 2000, to Brighton and Hove which was ranked 95th.

Population characteristics

- There are important variations in ethnicity and age structure. Newham is by far the most ethnically diverse local economy (61 per cent non-white) whilst Sunderland and Mansfield have predominantly white populations.
- There is a strong contrast in population change between the older industrial areas which have experienced population decline and areas integrated into the London and South East labour market which have seen strong above average population growth.
- Population changes within the deprived neighbourhoods are complex and require careful interpretation. Key characteristics of deprived areas are both the presence of a relatively long term, ageing, stable but declining population, and a younger, growing and more transient population. Certain deprived areas are characterised predominantly by one or other of these elements, whilst others simultaneously contain elements of both.

Sectoral change

- The local economies provide clear evidence of broader processes of sectoral change. The ongoing consequences of the long-term decline of mining and manufacturing are central to understanding the economic problems of all areas. The decline of manufacturing continues to be central to recent job losses in Oldham, Mansfield and Sunderland.
- All local economies achieved net job growth over the 1997-2002 period, although the rate of growth varies widely from 15.9 per cent in the case of Brighton and Hove to 2.8 per cent and 2.9 per cent in the cases of Newham and Oldham respectively. Job growth has been predominantly in low skill, low paid service sector jobs notably in the distribution and catering sectors, public service employment and other business activities.

Labour markets

- Labour markets of deprived areas share a number of common characteristics comprising relatively high levels of unemployment and worklessness, low rates of economic activity and employment, and low levels of household income and wages.
- The official rate of unemployment within the local economies remains above the national average, although this varies between areas relatively close to the national average of 3.3 per cent (in 2001) (eg Brighton and Oldham) and Newham, which is twice the national average. Unemployment rates in the most deprived wards are commonly twice the local average, typically between 7.0-8.5 per cent, and rates of long term unemployment are also significantly higher. There are significant variations in unemployment rates between ethnic groups where these are present.
- Current unemployment rates are significantly lower than the high rates characteristic of the 1980s and early 1990s and have also fallen significantly within deprived wards. This has resulted in a tightening in the labour market and shortages of certain types of employees even within less prosperous local economies.
- Despite relatively low levels of official unemployment, there is also significant 'hidden' unemployment, particularly with regard to neighbourhoods within older industrial areas where a high proportion are claiming other benefits such as invalidity benefit.
- Economic activity rates within the case study areas remain below the national average, significantly so in the cases of Newham, Sunderland and Mansfield, and have witnessed above average decline between 1991-2001. Economic activity rates are significantly lower in the most deprived wards. Similar trends are evident with respect to employment rates.
- Relatively high levels of labour market inactivity are evident within all local economies, but the reasons for this vary significantly from relatively high percentages of students (Newham and Brighton), the permanently sick and disabled (Sunderland, Oldham and Mansfield), and those looking after the home and family (Newham and Oldham).

- Average weekly pay in the case study local economies is significantly below those of the regions in which they are located. This is most acute in the highest paid region of London and the South East. Income from benefits including income support and job seekers allowances are above the national average and up to twice the local average in deprived wards.

Education and Skills

- A fundamental economic characteristic of the local economies is the relatively low level of education and skills of the workforce. In the older industrial areas of Sunderland, Oldham and Mansfield there is a high proportion of the population with no qualifications (37-38 per cent), well above the national average of 29 per cent. The exception to this is Brighton and Hove which has a relatively skilled population by national standards. Within deprived wards the problem of low educational and skill levels is particularly acute, with over 50 per cent of the population having no qualifications in a number of the worst performing wards.

Entrepreneurship and Business Start-Ups

- There is a sharp north-south difference between the five areas with respect to growth in the numbers of businesses and new business formation rates. The stock of businesses in both Brighton and Hove and Newham grew significantly faster than the national average over the 1994-2003 period, Mansfield performed in line with the national average, and Sunderland and Oldham performed significantly worse.

Informal Economic Activity

- Although data is limited, the important contribution of informal activity to residents 'getting by' on low incomes within deprived neighbourhoods is evident. This involves combining informal economic activity, both paid and unpaid, with income from formal employment and state benefits.

Role of the public sector

- The public sector is a major and growing source of employment across all the local economies, principally within the areas of health, education and public administration. Within deprived neighbourhoods the public sector is particularly important as a source of transfer payments and as a source of semi skilled service employment.

RELATIONSHIP OF THE LOCAL ECONOMY TO WIDER SPATIAL SCALES

- The case studies demonstrate how the economic problems which beset deprived local economies are rooted within processes operating at wider sub-regional, regional, national and global scales. Economic problems arise out of particular sectoral decline relating to coal-mining, shipbuilding, textiles and light manufacturing industry with specialist regional, sub-regional, and local economies suffering dramatic losses in jobs and investment.
- The competitive basis of the local economies is rooted within these wider processes of change. For example, in the northern case study areas long

term structural decline of traditional industries has produced economies with a number of common weaknesses in terms of low levels of productivity, economic activity, income, wages, skills and education. Aspects of economic dynamism in these areas also relate to features of the wider sub-regional economy.

- The economic contexts of Brighton and Newham are different and provide examples of the persistence of concentrations of deprivation within economically successful regions where job growth has been strong.

Economic competitiveness and social cohesion

- The case studies provide unequivocal evidence of the link between wider processes of economic restructuring and resulting problems of social deprivation and exclusion. However, the impacts that concentrated deprivation have upon processes of economic growth remains less clear.
- The extent to which such areas contribute positively to the wider economic growth dynamic remains poorly understood. For example, deprived neighbourhoods in Newham perform an economic role as reception areas for cheap immigrant labour within a rapidly growing global city, yet how precisely this contributes to the wider competitiveness of this urban economy is poorly specified.
- The negative impact of the presence of deprived localities appears most significant in terms of a poor image deterring inward investment and new residents, although there is little clear cut evidence to substantiate this. With rising levels of employment and skills shortages in all areas, the potential role of deprived areas with relatively high levels of unemployment becomes increasingly pertinent to employers complaining of local labour market shortages.

DEPRIVED NEIGHBOURHOODS WITHIN THE LOCAL ECONOMY

- Despite economic commonalities, recognition of the differences between local economies within which deprived neighbourhoods are located is highly important for policy responses and delivery. Hence the work culture associated with coal-mining in Mansfield is radically different to the labour market characteristics of a highly ethnically diverse and relatively youthful population in Newham.
- Significant differences between deprived neighbourhoods within the same local economy are also evident. For example, in East Brighton, North Moulsecoomb on the outskirts of the city has a relatively stable population of long established families, whilst Saunders Park, closer to the city centre has a more transient and diverse population.

Spatial concentrations of deprivation and spirals of decline

- The case studies reveal that whilst the causes of deprivation are largely rooted within economic decline and restructuring, the processes creating highly localised deprivation are largely driven by the operation of housing markets. A complex interface exists between wider economic problems

affecting the local/sub-regional area and the operation of sorting mechanisms in the private and public sector housing markets sometimes exacerbated by other local housing renewal programmes.

- Central to processes of neighbourhood decline is the loss of those in employment and with higher levels of skills and education. This not only removes wealth from the neighbourhood, but also important local connections to the worlds of work and education and potential role models. The remaining population becomes more fragmented, often with tensions between the longer term existing population and an incoming younger and more transient population.
- The local population becomes increasingly trapped within low grade housing accommodation for which there is little demand and limited chances of moving out given the problems of securing reasonably paid employment. In the wider South East rapidly rising house prices and shortages of affordable housing create particular problems in limiting the mobility of the least well off.

Neighbourhood effects

- Place based neighbourhood effects that compound disadvantage were evident with regard to issues of relative physical isolation, the poor quality of the built environment, levels of environmental pollution and the poor quality and absence of private services.
- People based area effects included the presence of particular attitudes and perceptions towards employment and education within many deprived neighbourhoods. These were characterised by reduced expectations and aspirations of employment and an acceptance of 'getting by' via benefits and unpaid and paid informal work.
- Concentrations of deprivation contributed further to the barriers of entry to formal employment. Factors here included the lack of social networks to find jobs particularly via informal networks; a lack of contact with the world of work leading to the poor development of interview and work skills; and a lack of willingness to travel to work beyond the locality reflecting spatially restricted social networks. Other barriers reflected practical problems relating to limited flexibility and high transport cost in relation to low wages and an absence in some places of good, reliable and affordable public transport.
- Area stigmatisation and discrimination was routinely reported, although assembling evidence as to whether this translated into active postcode discrimination was beyond the scope of this analysis. There was some evidence that the tightening of labour markets was reducing the scope of employers to exercise such discrimination.
- Some notable differences were apparent between neighbourhoods with respect to local social capital formation. More transient populations tended to exhibit less neighbourhood commitment compared to neighbourhoods where there was a presence of longer term residents who were commonly the source of neighbourhood leadership.

LEVELS OF INTERVENTION AND GOVERNANCE OF ECONOMIC POLICY

Neighbourhoods and local economic policy

- Even the most localised labour markets for formal employment operated at a larger scale than that of the neighbourhood. Those activities that predominantly operate at the neighbourhood level (eg unpaid and paid informal work; local service enterprises) also demonstrated connections to wider economic relationships.
- Economic policies operating at the neighbourhood level were limited and not afforded priority within renewal strategies which instead focused upon 'crime and grime' initiatives. This reflected a lack of priority to neighbourhood economic initiatives under current policies as well as the lack of priority assigned to such issues by the local community.
- Enterprise initiatives supporting small business start-ups tended to be organised at the level of the local or sub-regional economy with clear recognition that residents from deprived neighbourhoods had limited skills and resources with which to enter self-employment or business start-ups.
- Examples of community economic development initiatives in the form of credit unions, community enterprises and the formalisation of informal economic activities were apparent. However, there was important variation between localities in these types of activities reflecting different local social and political traditions and the work of local institutions.
- Current policies focus upon getting residents of deprived neighbourhoods into formal employment within the wider labour market. Local initiatives here included those that: sought to improve employability through the development of 'soft skills', basic skills and support for childcare provision; actively linked residents of deprived areas to new job opportunities (eg subsidised public transport); developed skills in areas of employment growth (eg construction); and improved the education and career aspirations of young people (eg through improving basic school education, mentoring and sponsorship programmes).
- These initiatives require co-ordination between the neighbourhood, local and sub-regional levels and worked better when the neighbourhood was being used as the delivery scale for these wider employment policies. Flexible neighbourhood delivery is necessary to reach excluded groups given the existence of low levels of mobility, the lack of connections with the world of employment and a lack of trust of state institutions.

The local and sub-regional economy

- For deprived neighbourhoods a policy focus upon improving the overall performance of the local/sub-regional economy raises issues concerning the overall level of demand for labour within the local labour market, and the extent to which residents of deprived neighbourhoods benefit from any employment growth.

- Certain interventions have been developed which seek to ensure that the benefits of economic growth flow to deprived neighbourhoods (eg via schemes preparing and guaranteeing interviews for newly created jobs in larger local developments). Such schemes require strong integration between actors at sub-regional/local and neighbourhood levels to be effective, and must exercise care in how they discriminate between disadvantaged groups within the local labour market.
- Local and sub-regional/regional economic strategies all focus upon the development of a high skill and high wage economy. The creation of higher skill jobs often located in new growth sites are difficult to access for poorly qualified residents of deprived areas. There is little attention to the role of lower paid and less skilled jobs even though these are the most relevant to the needs of residents of deprived neighbourhoods.
- The low skill, low paid jobs which are on offer often hold little attraction to individuals marginalised from the labour market, and provide few incentives to move off of state benefits. Consequently more attention needs to be paid to the issue of supply and demand of low and semi-skilled jobs within these local economies.

Governance and delivery arrangements

- The case studies reveal that the current governance arrangements for linking the problems of deprived neighbourhoods into wider local, sub-regional and regional development programmes are relatively weak and variable in their effectiveness.
- Regional and sub-regional strategies generally say little or nothing about how they will operate to support the needs of deprived neighbourhoods. The emphasis of the regional economic growth agenda upon issues of competitiveness, innovation and enterprise creates difficulties of integration with the social exclusion dimension of neighbourhood renewal.
- Neighbourhood based organisations have a limited ability to communicate their needs upwards, whilst top-down funds do not always reach those most in need. Neighbourhood based organisations feel marginalised and distant from strategy making and decision making relating to local/regional economic development.
- Local Strategic Partnerships (LSPs) have, in the majority of cases, not developed a strong economic development agenda in comparison to other areas of activity such as crime and the local environment. Links with other local economic institutions are patchy and weakly developed.
- There is a major weakness in terms of structures at the sub-regional level which is particularly important with regard to labour market policy. Whilst the Regional Development Agencies (RDAs) and the LSPs are now relatively well established, sub-regional level organisations are more variable in the scope of their activity and their level of institutional development.
- Central government policies and programmes appear more likely to be effective if they are owned and delivered close to the ground by trusted

actors within deprived neighbourhoods, and with the possibility of a degree of flexibility to adapt to specific local conditions.

Issues for Policy Development

- The evidence assembled from the literature review and analysis of case study local economies permits the identification of a number of issues with regard to policy development relating to the economic development of deprived neighbourhoods.

INTEGRATION OF DEPRIVED NEIGHBOURHOODS INTO WIDER ECONOMIC DEVELOPMENT STRATEGY AND DELIVERY

- Recognition that deprived neighbourhoods are part of the wider economic system makes it essential that their economic needs are integrated within economic development strategies operating at the wider local, sub-regional and regional spatial scales.
- Regional, sub-regional and local economic development strategies need to directly address the needs of deprived neighbourhoods. This requires attention to the recurrent divide between strategy formulation at higher spatial levels (region or sub-region) and localised delivery to ensure those working in deprived neighbourhoods can actively participate in strategy and policy development.
- Institutionally, such an approach requires a stronger orientation of LSPs towards economic development issues and the development of stronger sub-regional partnerships and strategies. The latter is particularly important given the importance of the sub-regional scale in relation to the labour market, in terms of both supply and demand side issues.

LABOUR MARKET POLICY

- Employment remains fundamental to the economic development of deprived neighbourhoods. In terms of getting residents from deprived neighbourhoods into employment, much greater attention needs to be paid to the types of employment that are being created within the local economy.
- Low wage and unstable employment reinforces low expectations and aspirations and provides few incentives to move off of benefits. The generation of a wider range of jobs, particularly semi-skilled jobs, and opportunities for ongoing training and career progression provides important role models and creates new entry points. Employers have an important role here, notably public sector employers who are a major source of employment in deprived areas.
- Integration back into the world of work becomes important from a young age in areas where aspirations and expectations are low due to the prevalence of worklessness. Work experience programmes, schemes linking

local schools and employers, and the use of intermediate labour markets are potentially important here.

NEIGHBOURHOOD ECONOMIC INITIATIVES

- Although neighbourhood level economic initiatives are unable to create large scale employment opportunities, bottom-up initiatives that seek to tackle problems alongside the work of central government programmes are important. Such initiatives develop local capacities and encourage mutual aid and self-help at the level of communities and individuals, and develop locally rooted structures. Evaluation of such initiatives should be in terms of their role in promoting a better quality of everyday life, social inclusion and political participation rather than in narrow economic terms.
- The strong emphasis within the current policy agenda upon formal employment as the route out of poverty has led to a relative neglect of a range of community based economic initiatives (eg credit unions, time banks, community enterprises, intermediate labour markets, etc.) and the role of informal work in managing and surviving within low income areas.
- The negative impact of the stigmatisation of deprived areas for residents and in discouraging private sector investment, suggests more attention should be paid to the process of altering the internal and external place-images as part of the neighbourhood renewal process.

NEIGHBOURHOOD DELIVERY AND OWNERSHIP

- Main government funding programmes are of central importance to deprived neighbourhoods. In seeking to encourage marginalised groups to engage with formal employment, delivery needs to be adaptable and sensitive to local needs of residents and employers, and delivered by trusted and credible organisations. Forms of neighbourhood delivery, working with and through local community based organisations, are likely to be the most effective in promoting employment and enterprise within deprived areas.

GEOGRAPHIES OF LOCAL ECONOMIC DEVELOPMENT

- The sites of new job creation are often not easily accessible to residents of deprived areas, particularly given their limited mobility. This suggests the importance of initiatives that make new jobs more accessible through cheap and reliable public transport provision, childcare provision and training. Where development sites do exist close to, or within deprived neighbourhoods, these provide particular opportunities.
- The changing local geography of economic activity and employment indicates that, for certain neighbourhoods, economic decline is a process to be managed rather than reversed.

SPIRALS OF DECLINE

- The loss of the most economically mobile elements of the population is a central issue of spirals of decline in deprived neighbourhoods. Of importance here is the need for early and integrated intervention before environmental and service quality declines to a tipping point where the economically active move out 'en masse'.
- Given the importance of residential sorting mechanisms to the creation of concentrated deprivation, there remains a need for stronger integration of housing developments and housing policy with processes of local economic development. This involves greater sensitivity towards the possible impacts upon declining neighbourhoods of new developments, and active consideration of how to maintain a stronger social mix within declining areas.

SUMMARY OF PART TWO

Case Studies

Case Study 1: Sunderland

1.1 DYNAMICS OF THE SUNDERLAND ECONOMY

- Sunderland is an important industrial and business city within the North East region, historically associated with coal-mining, shipbuilding, engineering, and glass-making. Despite several successes in attracting inward investment, Sunderland continues to have some of the most deprived communities within the North East, particularly in the inner city and riverside areas.
- Although subject to ongoing decline, manufacturing's share of total employment is above the national average (21.9 per cent compared with 15.7 per cent). The service sector is dominated by retail/wholesale (17.3 per cent of total employment), finance/business (14.3 per cent), health/social work (11.3 per cent) and transport/communications (6.1 per cent).
- Between 1997-2002, the number of jobs in the Sunderland economy increased by 6,000, an increase of 5.9 per cent. The sectors experiencing employment decline were mainly in manufacturing, with the clothing, electronic goods and electrical machinery sectors each shedding around 1,000 jobs over the five year period. In contrast, almost 2,000 extra jobs were created in motor vehicle manufacture and over 1,000 in rubber and plastic goods manufacture and publishing and printing taken together. The largest increase in employment occurred in the education sector, with nearly 3,000 extra jobs.
- The unemployment rate in Sunderland fell from 7.1 per cent of the 16-74 aged population in 1991, to 4.8 per cent in 2001, although ward unemployment rates ranged from 2.2 per cent to 8.0 per cent in 2001. The Claimant Count unemployment rate for Sunderland in July 2004 was close to the North East region average (3.0 per cent compared to 2.9 per cent).
- There is a significant proportion of long-term unemployed (37 per cent of total unemployed), compared with 30 per cent in England as a whole. In some wards, more than 40 per cent of the unemployed are 'long-term'.
- Sunderland's employment rate in 2001-02 was 66.1 per cent, considerably below the national rate of 75.0 per cent. The employment rate for those aged over 50 was especially low, 50.2 per cent, compared to 69.1 per cent nationally.

- A much higher proportion of Sunderland's economically inactive are permanently sick or disabled than is the case nationally (26.3 per cent compared to 16.0 per cent), largely attributable to the legacy of coal-mining and shipbuilding.
- Sunderland's workforce is characterised by relatively low skills and education, with 36.9 per cent of residents aged 16-74 having no qualifications in 2001 (compared with 28.9 per cent nationally) and exceeding 40 per cent in ten wards.
- One of the main weaknesses of the Sunderland economy is the low rate of new business formation. The number of VAT registrations per 10,000 adult population is one of the lowest in England (an average of 18.2 over the 1997-98 to 2002-03 period, compared to a national average of 40.7).

1.2 ECONOMIC PROBLEMS OF DEPRIVED NEIGHBOURHOODS

- In terms of deprivation, Sunderland is ranked 18th overall in England and 8th in terms of the employment domain. There are 11 wards ranked within the 10 per cent most deprived wards nationally and Southwick is ranked 55th nationally.
- Interviewees directly involved in efforts to assist deprived neighbourhoods described them as having:
 - high levels of both registered unemployment and hidden unemployment
 - most employed residents being in unskilled part-time employment, with many having two or three jobs in order to make ends meet
 - high levels of indebtedness
 - low levels of educational achievement
 - very low car ownership, which restricts mobility and choice in the job market
 - a negative perception of deprived neighbourhoods by employers inhibiting access to employment outside the area
 - low aspirations and related 'cultural barriers' towards education and skills awareness and attainment

1.3 CASE STUDY OF A DEPRIVED NEIGHBOURHOOD: HENDON AND EAST END

- Interviews with those with first hand knowledge of Hendon and East End drew attention to the following:

- although individuals may have benefited, there has been little improvement in the community over the last 25 years
- many people choose to remain unemployed rather than taking work perceived to be insecure, poorly paid and of low quality
- investment attracted to Sunderland has had little perceptible impact on the fortunes of deprived communities
- some local employers are showing a willingness to become engaged in tackling the problems
- a high level of informal economic activity and working

1.4 CO-ORDINATION AND INTEGRATION OF POLICY STRATEGIES AND ECONOMIC INITIATIVES

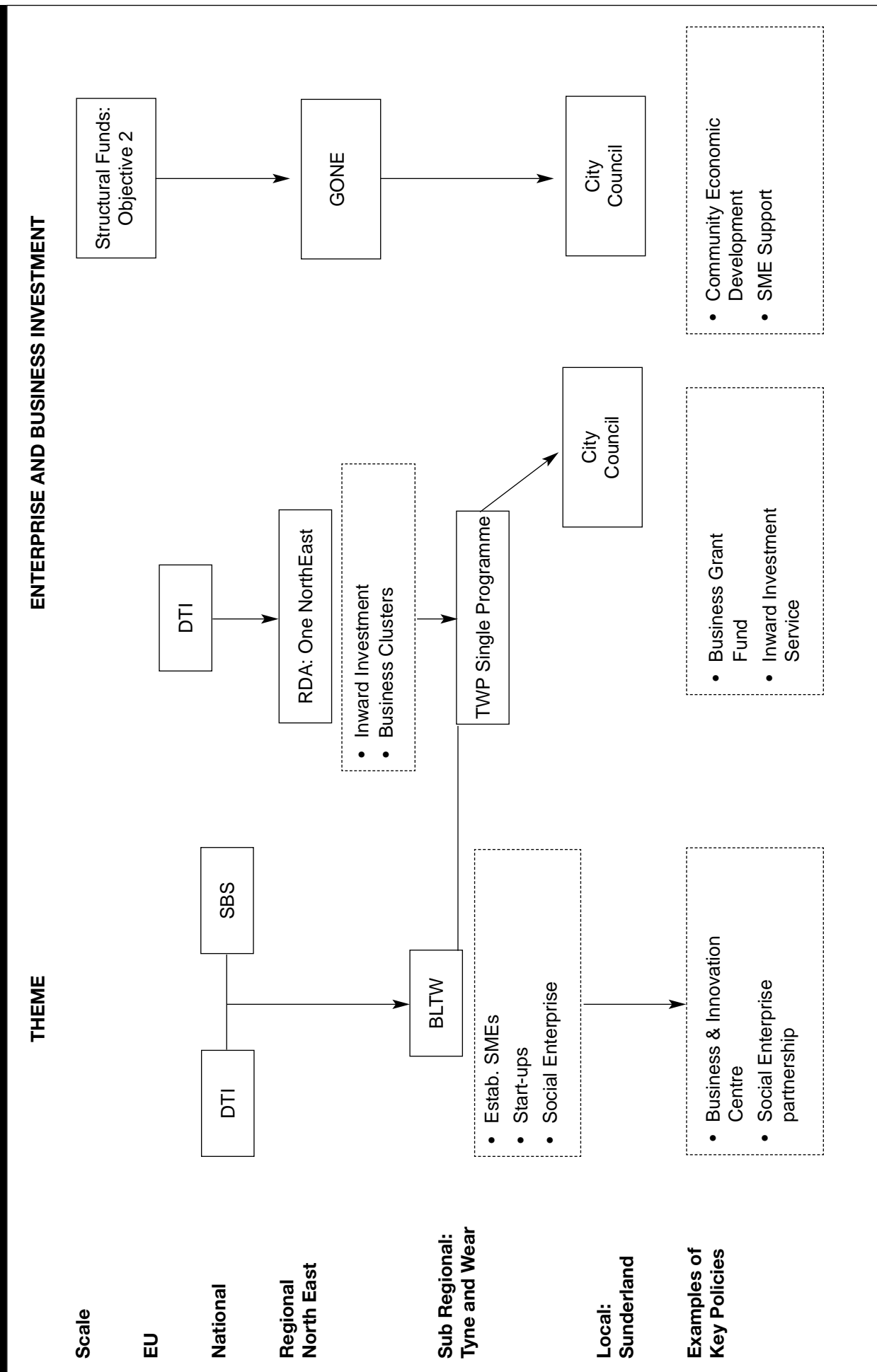
- Sunderland has had a sustained commitment to local economic development and regeneration policies over several decades and has been a beneficiary of virtually all government and EU programmes targeted at deprived areas.
- The RDA, 'One NorthEast', mainly focuses on economic development at the regional and sub-regional scales rather than at the local scale. Some interviewees expressed concern about what they regarded as the low priority given by the RDA to tackling the problems facing deprived localities in the region.
- There is a strong sub-regional level co-operation in the form of the Tyne and Wear Partnership, which has come about partly because of the decision of One NorthEast to adopt a sub-regional model of organisation. However, the sub-regional scale does not fit well with the localised scale with which the voluntary and community sector is familiar.
- While the Learning and Skills Council (LSC) Tyne & Wear has discretion over its spending, the focus is primarily on particular disadvantaged groups (eg refugees, ethnic minorities, those with disabilities) rather than on deprived areas (although the two invariably coincide).
- Business Link Tyne & Wear operates at the sub-regional level and does not target its services at particular localities, the view being that most businesses require the same kind of assistance wherever they are located.
- Sunderland City Council has a Business and Investment Team and a Development, Housing, and Regeneration Team. The Council is fairly unique in having its own £1m grant fund which it uses to attract inward investment and promote indigenous business development.
- EU Structural Funds (via Sunderland having Objective 2 status) has proved to be an important source of funding available to the Council for various grass roots, local economic development initiatives. Using Single

Regeneration Budget (SRB) matched with EU funds, the Council (in partnership with the Careers Service and LSC) has developed its own 'Jobs Linkage' programme, which aims to provide a personalised counselling and job support service.

- Whereas the emphasis of the Tyne and Wear Partnership appears to be on business-led regeneration and economic development issues, that of the LSP is more concerned with issues of worklessness and access to employment. This could easily become a growing divide unless ways are found of forging better links between economic and social regeneration.
- Some interviewees expressed concern about the danger of agencies 'working in silos', and that if capital projects are not sufficiently linked into the 'social agenda', efforts could be wasted.
- The East End and Hendon New Deal for Communities (NDC) has £54m from the government to spend on community regeneration between 2001-11. However, despite their common concern with neighbourhood renewal, there appeared to be little co-ordination and joint working between the NDC and the LSP.

The following Figures (called Policy Maps) summarise the complex web of linkages relevant to economic development in the area. Figure 1a illustrates the Enterprise and Business policy area; Figure 1b looks at Employment and Skills, and Figure 1c shows the main policy linkages in the field of Regeneration. Although these links and titles of organisations change over time, and in a few cases may have moved-on since the research was undertaken, they broadly remain current.

Figure 1a: Sunderland Local Economic Development Policy Map



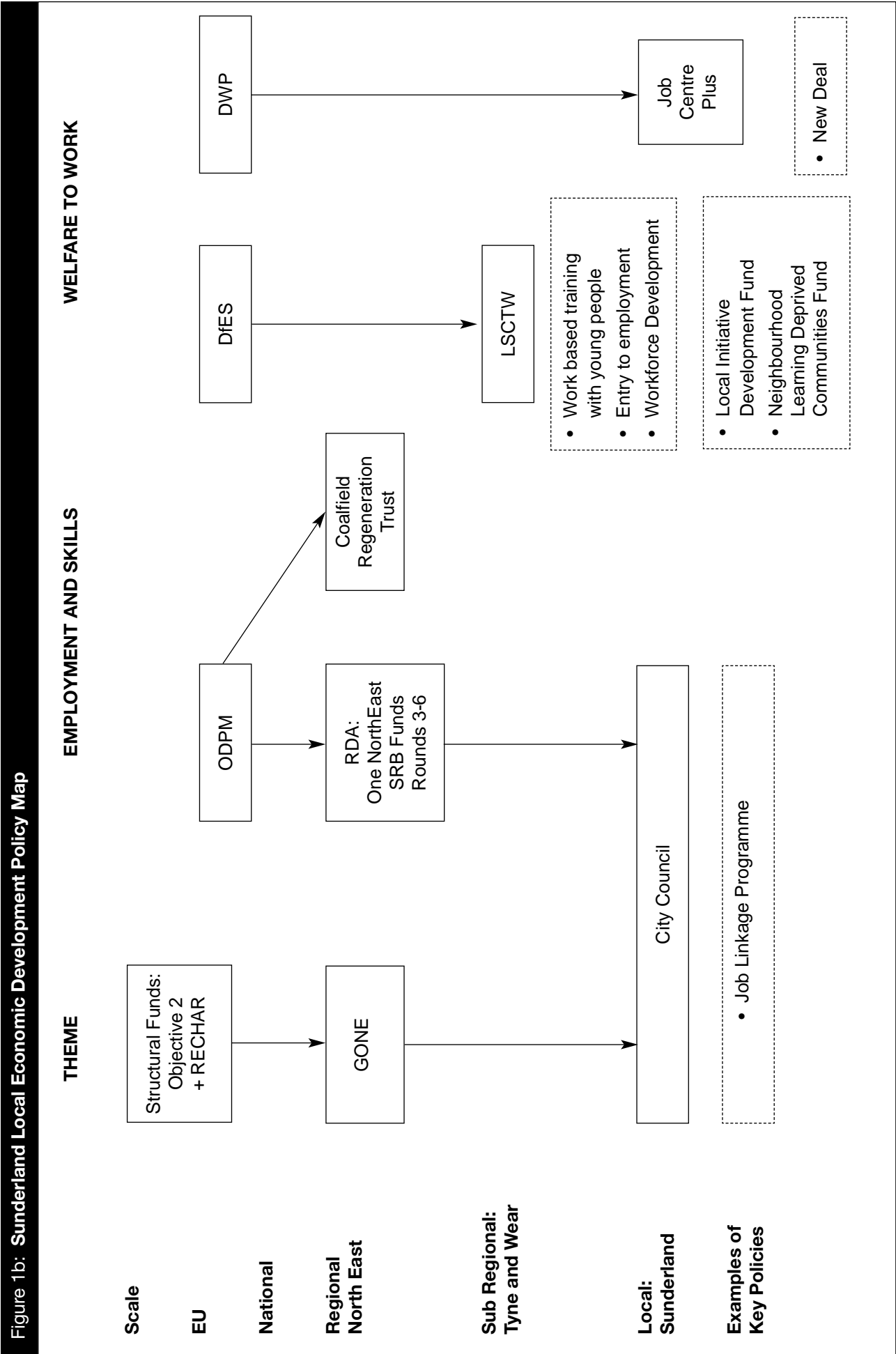
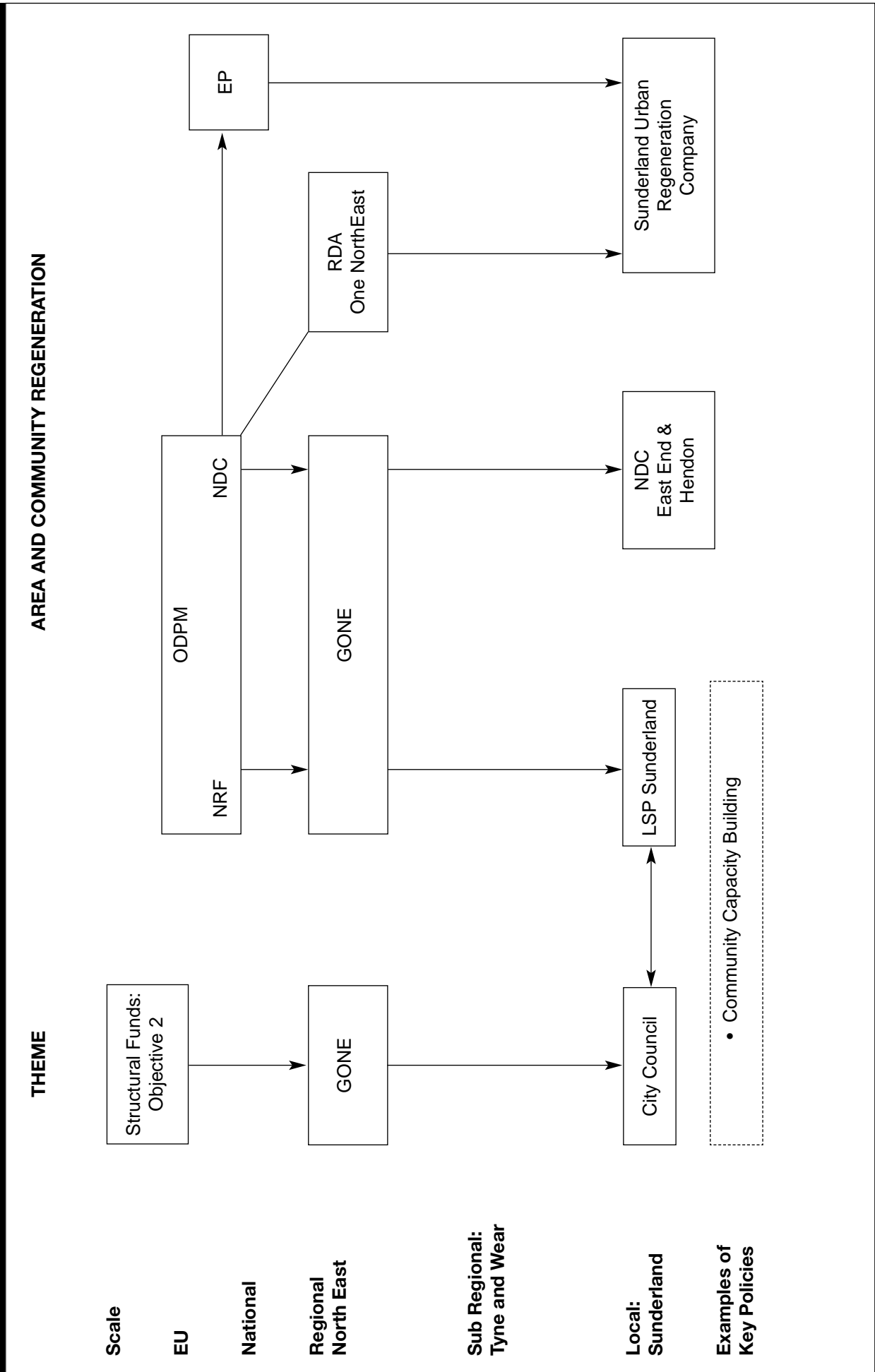


Figure 1c: Sunderland Local Economic Development Policy Map



Case Study 2: Oldham

2.1 DYNAMICS OF THE OLDHAM LOCAL ECONOMY

- Oldham, on the northern side of the Greater Manchester conurbation, was traditionally associated with the cotton textile industry, although its present economy is closely intertwined with that of the rest of the urban sub-region. It remains a largely working class town, with a rapidly expanding ethnic minority population, mainly Asian/Asian British.
- The employment of Oldham residents is mainly in distribution, hotels and restaurants (24.9 per cent), public administration, education and health (26.9 per cent), and manufacturing (20.3 per cent), the latter accounting for a greater share of employment than it does nationally.
- Overall, the number of jobs in Oldham increased by 2.9 per cent over the 1997-2002 period, the decline in the manufacturing sectors being more than offset by the growth in a range of service sectors. Nine of the ten largest reductions in employment were in manufacturing sectors, with three sectors each shedding more than 1,000 jobs over this period: manufacture of machinery and equipment; textiles; and medical instruments.
- Over 2,000 additional jobs were created in retailing, together with 1,500 in the wholesale trade. More than 3,000 jobs have been created in the public services.
- On a number of indicators the Oldham economy continues to under-perform. For example, there has been no growth in the number of VAT registered businesses, and the VAT registration rate over the 1997-98 to 2002-03 period averaged 28.7 registrations per 10,000 adult population compared to a national average rate of 40.7. A recent competitive index shows Oldham to rank second lowest of all Greater Manchester districts.
- The unemployment rate in Oldham fell from 6.0 per cent of the 16-74 aged population in 1991 to 3.7 per cent in 2001, although ward unemployment rates ranged from 1.9 per cent to 7.2 per cent in 2001. The Claimant Count unemployment rate for Oldham in July 2004 was 2.9 per cent, the same as the North West regional average.
- Oldham's employment rate in 2001-02 was 72.7 per cent, slightly below the national rate of 75.0 per cent. However, the employment rate for the ethnic minority population was especially low, 37.6 per cent, compared to 57.4 per cent for ethnic minorities nationally.
- Oldham is a relatively low wage economy, with average gross weekly earnings significantly below the regional and Greater Manchester averages, as well as having a higher proportion of its population on income support.

- An above average proportion of the working age population are without qualifications (37.7 per cent compared with 28.9 per cent nationally in 2001), reaching over 50 per cent in four wards, and a much lower proportion have level 4/5 qualifications (12.9 per cent compared with 19.9 per cent).
- A key weakness of Oldham's economy is that it attracts many jobs that are low skill and low paid, many of which are seasonal in character, including in food, clothing and 'home shopping'. This reinforces low aspirations and low educational attainment, offering little incentive or opportunity for advancement and upskilling.
- Although there is potential for private sector investment, given the availability of land and good transport infrastructure, there are difficulties in competing with eight other towns of similar size in the urban sub-region for the limited supply of inward investment projects.
- Oldham Local Strategic Partnership and the Northwest Development Agency have recently commissioned a large-scale study to develop a strategic vision for the renaissance of the Borough, which aims to be inclusive, encompassing its people and communities, economy, transport, housing market and physical environment.

2.2 CHARACTERISTICS OF DEPRIVED NEIGHBOURHOODS

- Just over a third of wards in Oldham are within the 10 per cent most deprived nationally, with three wards being amongst the 100 most deprived wards.
- The ethnic minority population is heavily concentrated in several of the most deprived wards. The racial tensions in Oldham, culminating in the civil unrest of 2001, are generally thought to have been partly triggered by the perception that some of the deprived neighbourhoods with large Asian communities had received a disproportionate share of the public resources targeted at regeneration. The latest regeneration initiatives, such as the NDC, have therefore sought not to favour particular ethnic groups.
- There are high levels of economic inactivity in the deprived wards, much of it related to the high proportion of the population on sickness and disability benefits.
- Interviewees with first hand knowledge of deprived neighbourhoods emphasised how low aspirations and low skill levels combine to restrict economic potential and that it was difficult to break this cycle.
- Ethnic minorities in particular tend to rely on word-of-mouth from family or extended family members for finding out about employment opportunities, leading to ethnic segregation in some workplaces.

- There is a reluctance to travel far to work because of care commitments, particularly in ethnic minority communities, and also because of concerns over safety outside of the local neighbourhood.

2.3 CASE STUDY OF DEPRIVED NEIGHBOURHOODS: HATHERSHAW AND FITTON HILL

- The NDC programme focuses on Hathershaw and Fitton Hill, with £87m of Government, EU, and Lottery funding to spend on regeneration of the area between 2002 and 2012. Interviewees with first hand knowledge of the area drew attention to:
 - the very poor condition of the housing stock in Hathershaw, resulting in the area being targeted for Housing Market Renewal funding
 - much of the housing is owned by private landlords, with many empty properties which are unsellable or unlettable
 - many local shops have closed and are still boarded up
 - Fitton Hill was a council housing estate built in the late 1960s which is now owned and managed by a housing association
 - the resident population, which is predominantly white, is characterised by high unemployment, low educational attainment, high teenage pregnancy, drugs related problems, and high crime levels
 - many NDC initiatives are aimed at confidence building and raising educational expectations and skills levels
 - other initiatives are focusing on getting young people into work, particularly in the construction sector where there are shortages of skilled workers

2.4 CO-ORDINATION AND INTEGRATION OF POLICY STRATEGIES AND ECONOMIC INITIATIVES

- Following the civil disturbances of 2001 and the subsequent public enquiry, there is now a concerted effort amongst local economic development agencies to take a borough-wide view and to be as inclusive as possible.
- Oldham Borough Council has a ‘hands-on’ approach to local economic development, being responsible for the direct delivery of business support, town centre improvements, and industrial estates. Following a recent structural reorganisation, these activities are now part of a larger regeneration department with a wider remit including Housing Market Renewal Fund pathfinder work.

- At the sub-regional scale, the geographical boundaries of various organisations and partnerships involved in local economic development and regeneration do not coincide, and their responsibilities do not naturally fit together. From a borough level perspective, this leads to confusion and makes integration difficult.
- The Northwest Development Agency (NWDA)'s Single Programme funds have been used to assist the purchase of large sites for redevelopment in and around Oldham, with a view to attracting key employers to them.
- Most of the LSC Greater Manchester's funds are ring fenced, but the Local Initiative Development Fund has provided some discretionary funding for voluntary sector projects concerned with basic skills training and learning capacity-building.
- It has been difficult to achieve joined-up working between the local authority and the NDC, with the latter being perceived as being 'out on a limb' and not relating well to the local governance and management structure. For their part, organisations working at the neighbourhood level complain about not seeing the bigger picture and how they fit into it.

The following Figures (called Policy Maps) summarise the complex web of linkages relevant to economic development in the area. Figure 2a illustrates the Enterprise and Business policy area; Figure 2b looks at Employment and Skills, and Figure 2c shows the main policy linkages in the field of Regeneration. Although these links and titles of organisations change over time, and in a few cases may have moved-on since the research was undertaken, they broadly remain current.

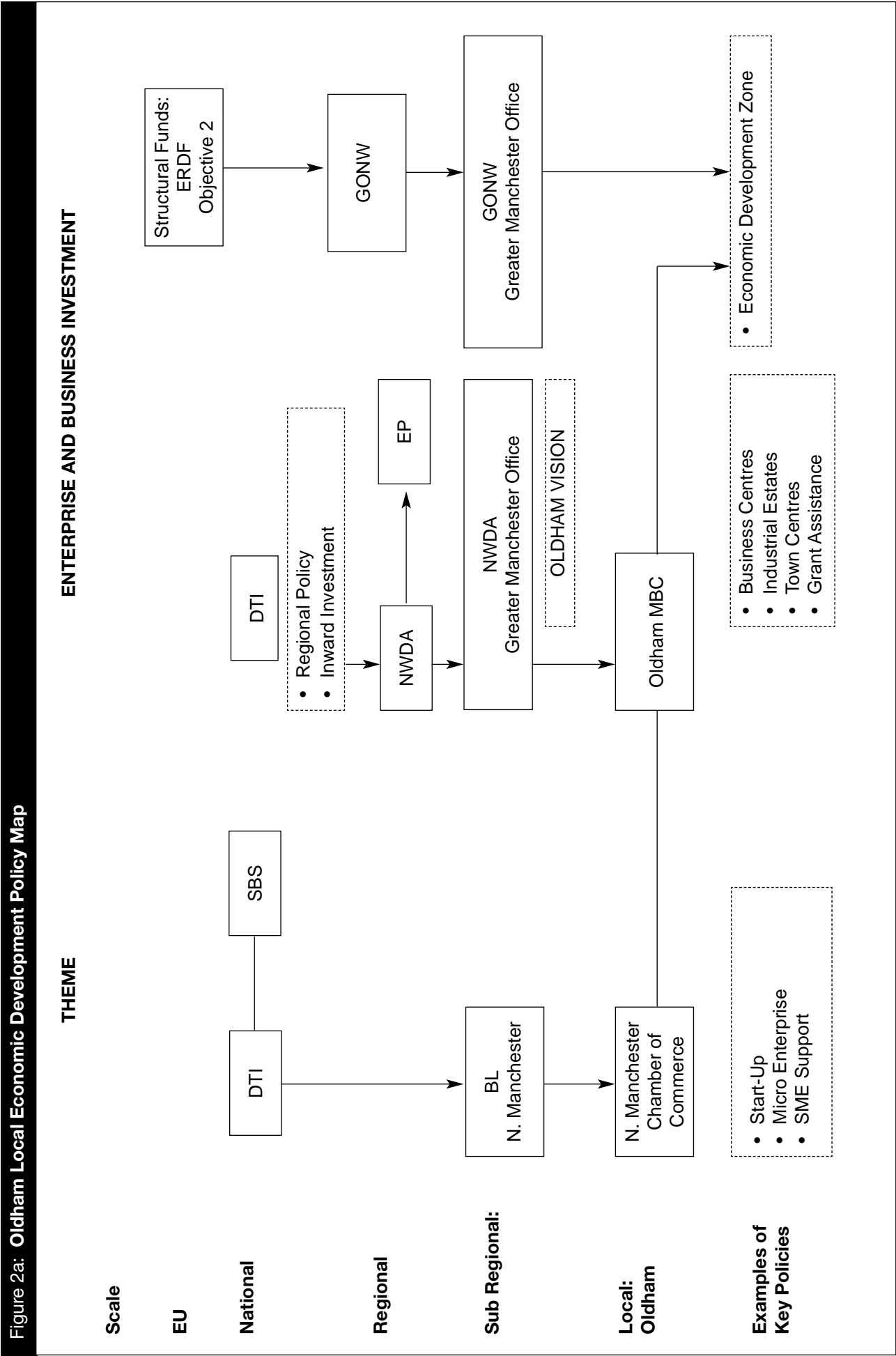
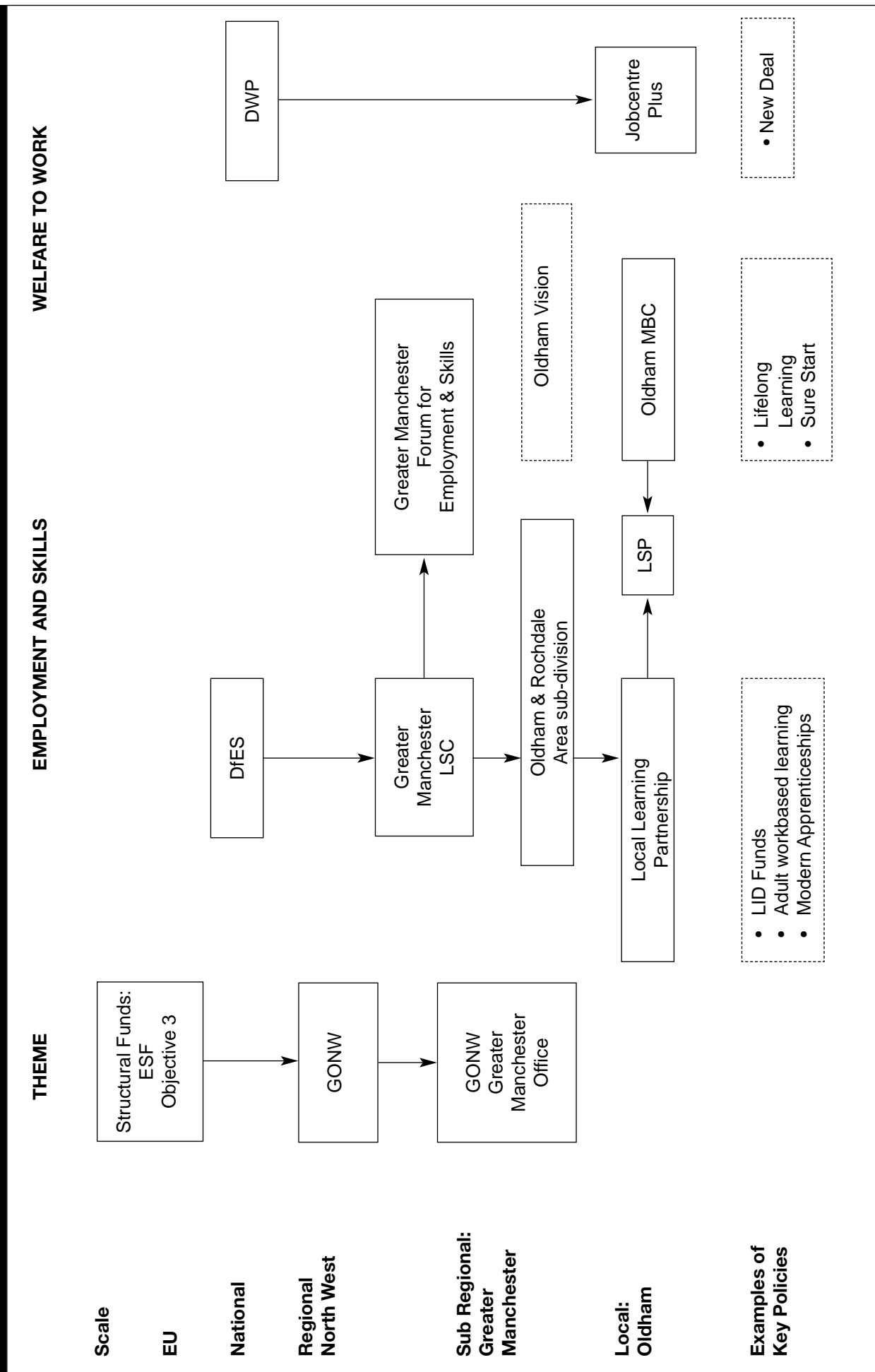
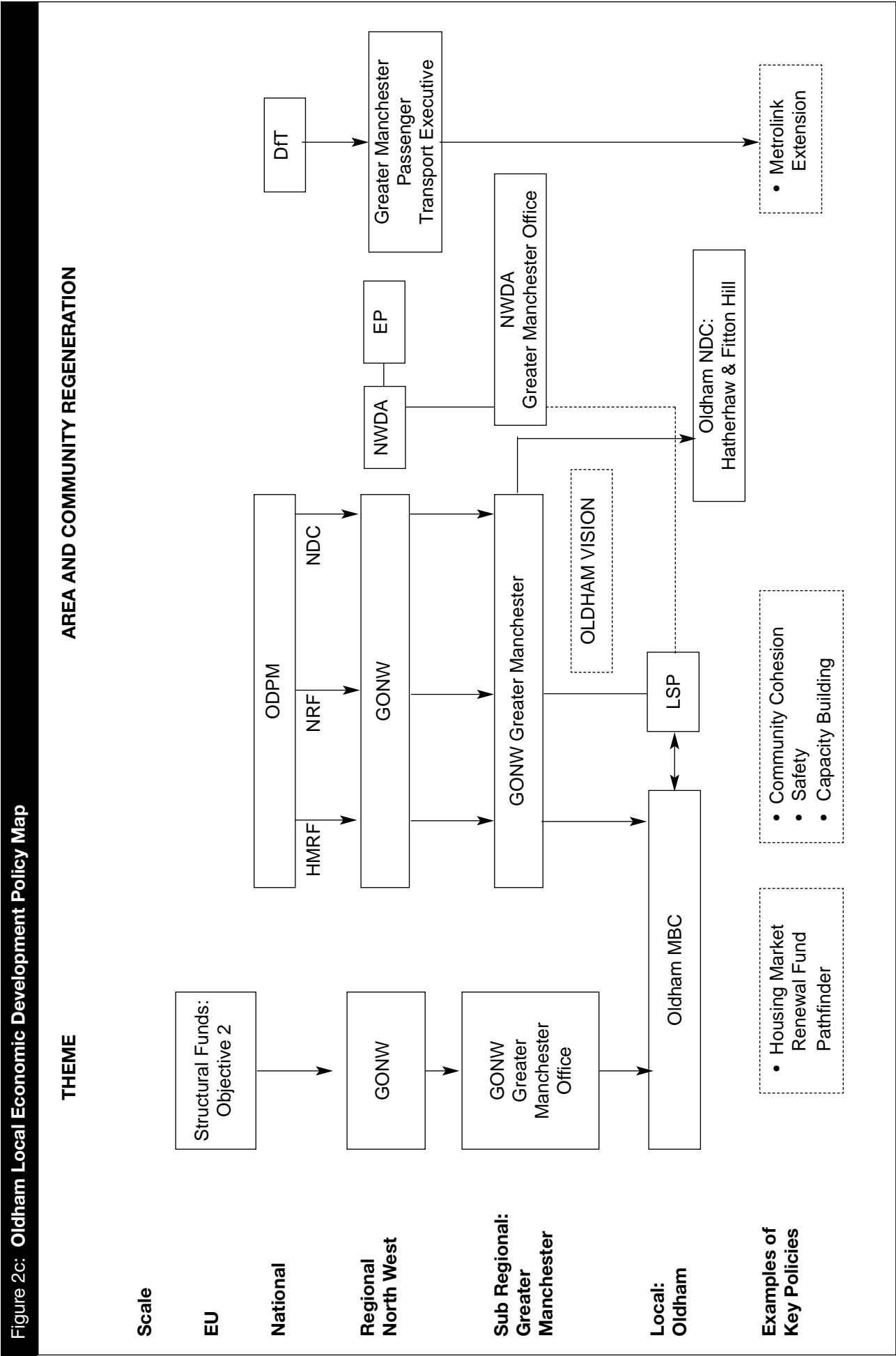


Figure 2b: Oldham Local Economic Development Policy Map





Case Study 3: Mansfield

3.1 DYNAMICS OF THE LOCAL ECONOMY

- Mansfield is located in the former North Nottinghamshire coalfield area and is the major town serving this area to the north of Nottingham. Since the late 1970s, the local economy has witnessed the long-term decline of coal-mining and traditional manufacturing industries such as textiles and engineering.
- By 2004, only two pits were still in operation within the Mansfield travel to work area (TTWA), employing less than 1,000 people, compared with 13 pits employing 16,500 in 1984. The decline of the textile industry has been similarly dramatic and remains ongoing, with a further 3,000 jobs lost in textile manufacturing within the North Nottinghamshire/North Derbyshire sub-region in 1999-2000.
- The local economy is dominated by three sectors in terms of employment: distribution/hotels and restaurants/retail (27.7 per cent); manufacturing (22.7 per cent) and the public sector (17.7 per cent). Despite ongoing decline, the manufacturing sector (22.7 per cent) still employs above the national average (15.7 per cent). Employment in the public sector (17.7 per cent) is below the regional and national average of 23.7 per cent.
- Recent employment growth has been concentrated within relatively low value added and low paid service sector activity. Between 1997 and 2002 employment increased by 70 per cent in the wholesale trade and by 44 per cent in the retail trade.
- From a peak of 13 per cent in 1993, unemployment has fallen significantly to 5.1 per cent by 2000 and 4.0 per cent by 2004, although unemployment levels still remain above regional and national averages. Ward level unemployment rates for 2001 varied from a high of 8.7 per cent to a low of 2.0 per cent.
- There is a significant proportion of long-term unemployed (29 per cent) and people who have never worked (9 per cent). Unemployment disproportionately affects the younger age group with nearly half of the total unemployed being aged less than 30.
- The employment rate in Mansfield District was 67.9 per cent of the working age population in 2001 compared to an East Midland average of 75.7 per cent, showing a decline between 1998-2001 of 3.1 per cent compared to no change within the East Midlands region.
- The issue of 'hidden unemployment' is particularly pertinent in former coalfield areas such as Mansfield and has been estimated to increase the 'real' unemployment rate to 15.7 per cent. Incapacity Benefit is claimed by around 8,000 in Mansfield, accounting for over 10 per cent of the working

age population in deprived wards compared to a national average of just 4 per cent.

- The combination of high levels of worklessness and low wages means that average household incomes remain significantly below regional and national averages. In 2000, 7.3 per cent of the total population claimed income support.
- The Mansfield workforce is characterised by relatively low levels of skills and education. In 2001 38.2 per cent of the resident population had no qualifications (29.1 per cent nationally) and only 10.0 per cent were qualified to degree level or higher (19.8 per cent nationally). Vocational skill levels are also low. School educational achievement is low, particularly in the more deprived wards, resulting in a poor level of basic skills.
- Although Mansfield has a below average level of entrepreneurship (23.7 new VAT registrations per 10,000 population compared with 38.5 in England), there has been an above average rate of business formation (a 44.7 per cent increase 1998-2003 compared to 30.3 per cent in the East Midlands and 30.6 per cent nationally).
- The informal economy plays an important role in sustaining the livelihoods of a large number of low income households. According to the interviewees there exists a very highly developed network to supply informal goods and services (eg car maintenance; cigarettes; building work, etc). This reinforces problems of low quality and low skills within the local economy.

3.2 ECONOMIC PROBLEMS OF DEPRIVED NEIGHBOURHOODS

- Mansfield has seven wards within the 10 per cent most deprived wards in England. In addition, there are other pockets of deprivation which are hidden statistically by their proximity to more affluent areas.
- All the deprived neighbourhoods exhibit similarities in terms of relatively high levels of unemployment and worklessness, low rates of economic activity and employment, and low levels of household income and skills and education. Populations are largely white, with no significant ethnic minority groupings.
- The economic problems of the deprived neighbourhoods have their roots in the rapid decline of the coal-mining industry, as well as a similar large employment decline in traditional manufacturing activity such as textiles.
- The subsequent evolution of these neighbourhoods has been driven principally by processes of residential sorting. Following job losses, the more employable elements of the population have moved away, whilst via both market mechanisms and public housing allocation policies, low cost and generally low quality housing stock has attracted low income individuals and households often reliant on state benefits.

- The past economic structure of the local economy continues to have a lasting legacy not only economically, but also socially and culturally. There is a lack of a culture of enterprise and self-employment, a tradition of relatively low level of formal educational attainment, a strong gender division of labour and tradition of patriarchal relations, and an expectation that employment is located close to the place of residence.
- For certain sections of the population there is a 'culture of worklessness', with no or limited experience of employment extending across generations, and an expectation of 'getting by' on various forms of benefits, supplemented by various forms of informal economic activities. For others, employment is associated with low paid, semi-skilled employment with limited opportunities for career progression.

3.3 CASE STUDIES OF DEPRIVED NEIGHBOURHOODS: NORTHFIELD AND WEST TITCHFIELD

- According to interviewees with good local knowledge, the key characteristics of Northfield are that:
 - it is primarily residential comprising an interwar estate and older colliery housing, with a run down physical appearance and a significant number of boarded up vacant properties
 - there are problems with crime, drug abuse and lack of provision for young people
 - unemployment rates are nearly twice the district average
 - there are low levels of economic activity associated with a high level of claimants for state benefits including incapacity and disability benefits
 - there are very low levels of education and skills with many lacking basic skills
 - there are very few local businesses and sources of employment
- The key characteristics of West Titchfield are that:
 - the area is close to the town centre and comprises both a residential area of dense terrace housing, as well as an area of mixed residential and industrial use which suffers particular environmental problems
 - the population comprises residents of longstanding and a more mobile incoming population resident in private sector rented property
 - the younger incoming population has resulted in a relatively youthful population with a high birth rate and a high rate of teenage pregnancies

- whilst the economic activity rate is relatively high, this is predominantly in low skill and low income jobs which reflect the wards location close to the town centre
- there are 538 employment units in the ward employing 8,699 people in 2002
- there are a number of basic barriers to employment within the area, including low aspirations, particularly amongst the young, and a common perception that low paid work offers little material advantage compared to continuing to claim state benefits

3.4 CO-ORDINATION AND INTEGRATION OF POLICY STRATEGIES AND ECONOMIC INITIATIVES

- The key institutions involved in the strategic development and delivery of local economic development and neighbourhood renewal within Mansfield are Mansfield District Council and the Mansfield Area Strategic Partnership (MASP). These two bodies work closely together and with a number of other key local institutions in the development of strategy and delivery.
- At the regional/sub-regional level the key agencies are EMDA (East Midlands Development Agency) and its decentralised Sub-Regional Partnership (Alliance SSP), the Government Office for the East Midlands and Nottinghamshire County Council.
- Mansfield's local economic development strategy produced by Mansfield DC reflects the close working relationship with MASP and is clearly aligned to MASP's Community Strategy. The emphasis is strongly upon social inclusion as well as economic growth, which includes explicit recognition of the needs of the most deprived neighbourhoods.
- The overall business support and inward investment policy in Mansfield has seen a shift in focus away from maximising job creation on key strategic brownfield sites close to areas of unemployment, towards an emphasis upon the creation of quality jobs in the knowledge based and service industries and growing local businesses.
- As part of its Neighbourhood Renewal Strategy, MASP has pursued a strong community engagement strategy with the result that it reflects the communities priorities upon 'crime and grime' and also education and health. Economic development and jobs have not been seen as a top priority.
- Programmes that encourage employers to recruit from deprived neighbourhoods have met with limited success, as often the target group lack the appropriate basic skills and commitment to employment.
- A notable feature of the economic development strategy for the Mansfield local economy is that it involves the active participation of a range of local actors, based on a mature and well-rooted area partnership that was

originally formed in 1999 and has subsequently transmuted into the current local strategic partnership (MASP).

- A further important feature of current governance arrangements is the relative weakness and low profile of the sub-regional partnership dimension compared to other economic development institutions and levels of intervention. This is, in part, the result of the relative recent creation of Alliance SSP compared to other organisations. This has clearly limited the ability of Mansfield DC and MASP to link its actions into any clearly articulated sub-regional strategy.

The following Figures (called Policy Maps) summarise the complex web of linkages relevant to economic development in the area. Figure 3a illustrates the Enterprise and Business policy area; Figure 3b looks at Employment and Skills, and Figure 3c shows the main policy linkages in the field of Regeneration. Although these links and titles of organisations change over time, and in a few cases may have moved-on since the research was undertaken, they broadly remain current.

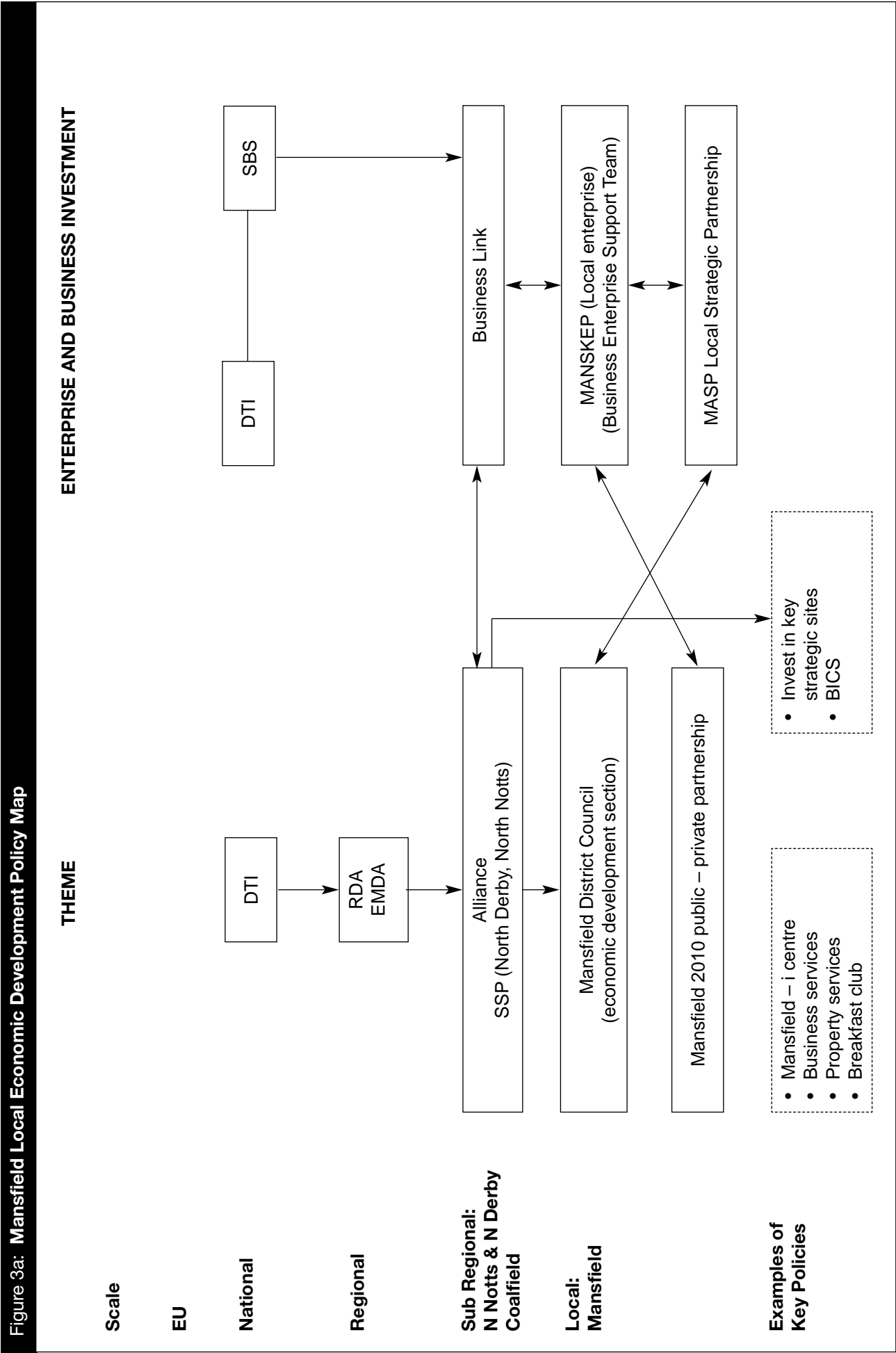
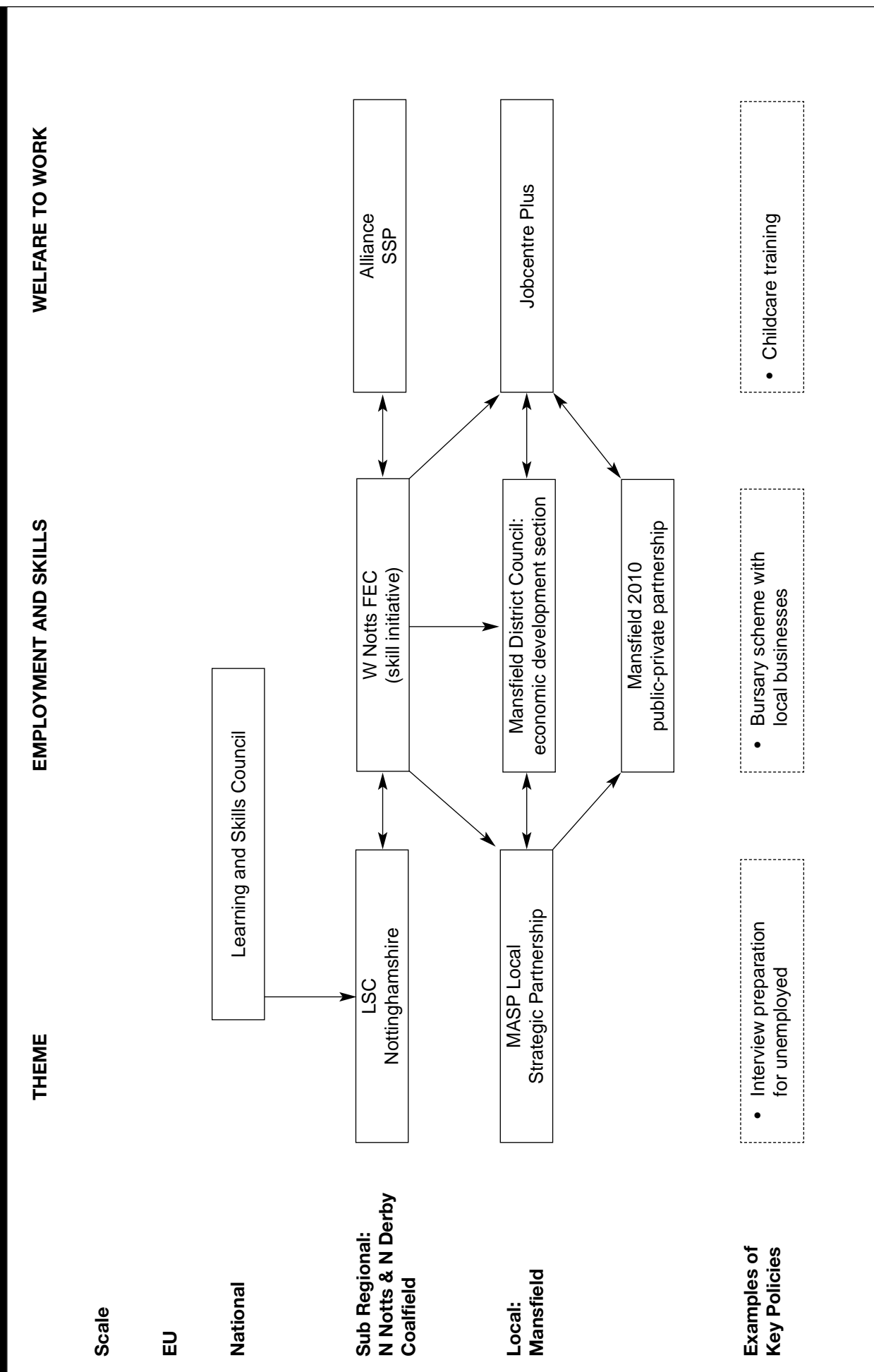
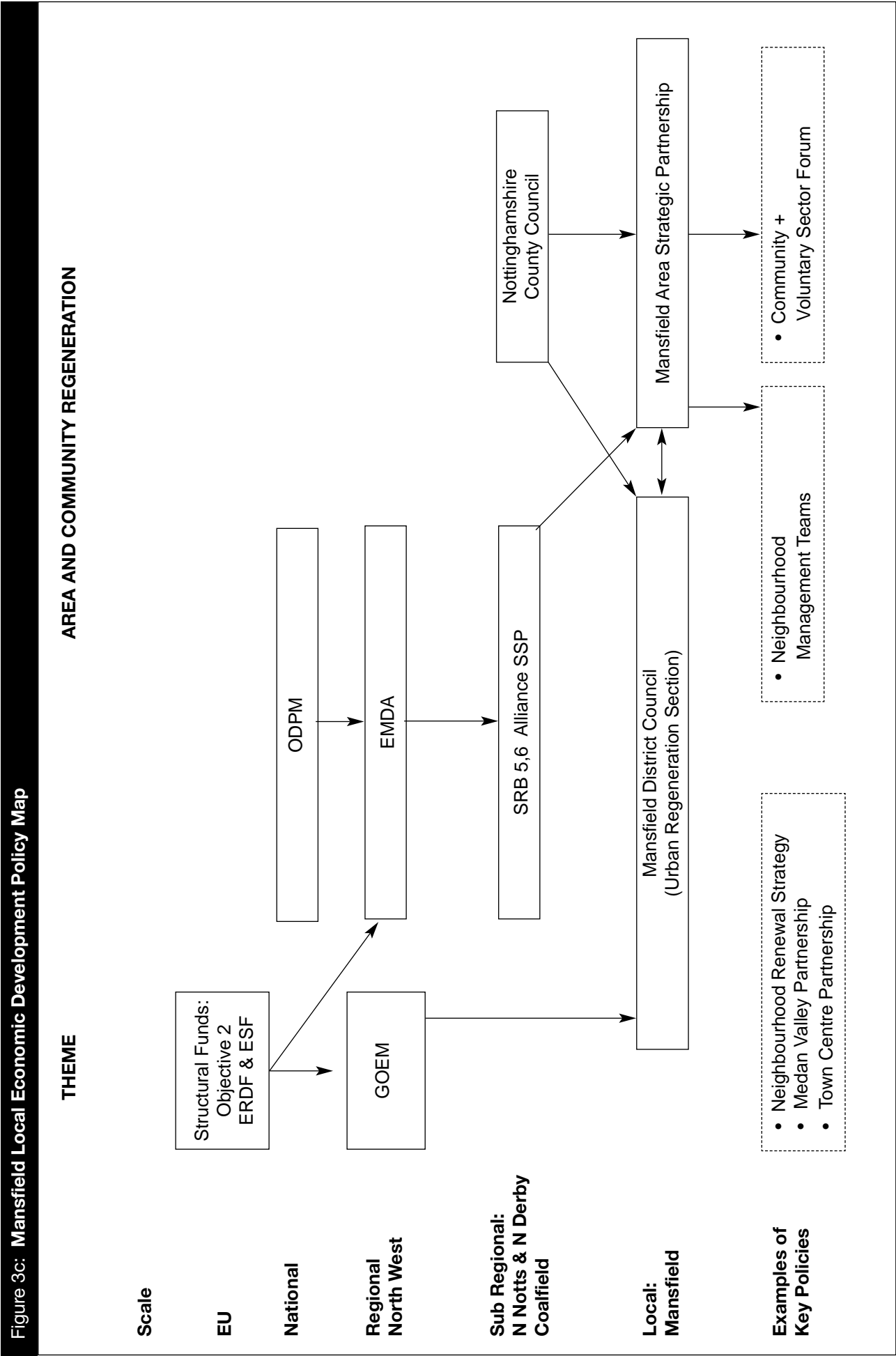


Figure 3b: Mansfield Local Economic Development Policy Map





Case Study 4: Brighton and Hove

4.1 DYNAMICS OF THE BRIGHTON ECONOMY

- Although Brighton and Hove has experienced considerable economic growth during the past five years, it remains a relatively low pay economy due to there being fewer high paid professional and managerial jobs than elsewhere in the South East region.
- Major concerns relate to the potential mobility of a number of larger employers whose headquarters are elsewhere, the growth of low skill/low paid jobs in call centres which are vulnerable to 'off-shoring', and the lack of brownfield development land and premises to facilitate existing business growth.
- The gross value added per capita is only 73 per cent of the regional average, due to a bias towards labour intensive sectors such as tourism, education and health.
- 90 per cent of employment is within service sectors, the public services accounting for around 27 per cent of local employment (including two large hospitals and universities). More than 2000 additional jobs were created in the education and health sectors over the 1997-2002 period.
- The financial services and business services sectors account for 25 per cent of local employment, and have created an additional 3000 jobs over the 1997-2002 period. The vast majority of these are lower order clerical and administrative jobs.
- Although Brighton and Hove has been promoted as a key location for the creative industries, there are concerns about the sustainability of this sector in the absence of any large firms.
- A measure of the dynamism of the city's economy is the 22.3 per cent growth in the numbers of VAT registered businesses over the 1998-2003 period (compared with 9.2 per cent nationally) and an average VAT registration rate over this period of 48.5 registrations per 10,000 adult population compared to 40.7 nationally.
- Unemployment remains significantly above that of the South East region as whole (3.1 per cent compared to 1.5 per cent in July 2003). Just over a third are long-term unemployed.
- The population has been growing twice as fast as that nationally, much of the growth being in the younger age cohorts. The city is an especially popular residential location for young adults.
- The workforce is characterised by relatively high levels of skills and education, with a smaller proportion (22.1 per cent) without qualifications than nationally (29.1 per cent) and a higher proportion with at least degree

level qualifications (28.7 per cent compared with 19.8 per cent nationally). However, more than a third of the working age population are without qualifications in parts of East Brighton.

4.2 ECONOMIC PROBLEMS OF DEPRIVED NEIGHBOURHOODS

- Despite the city's rapid economic growth, there remain pockets of deprivation in East Brighton where low cost and public housing was built in the post Second World War (SWW) period to house the workers of large manufacturing employers that have since closed. Two wards are ranked within the 5 per cent most deprived wards nationally and a third ward just outside the 10 per cent most deprived wards.
- East Brighton is a net exporter of low paid, low skilled activities and a net importer of professional occupations, notably to the Sussex County Hospital and University of Brighton. The working resident population is heavily dependent upon low paid employment in retailing and tourism.
- Evidence shows that many of those out of work do not know anyone in work, having grown up on estates where unemployment is commonplace and where there are no role models of friends and family in work.
- Teenage pregnancies leading to single parenthood is a major social issue in East Brighton, being a cause of benefit dependency and barrier to obtaining employment.
- There is a 'locked in culture' whereby many residents do not consider the possibility of working outside their locality, despite good public transport links to areas where there are employment opportunities.
- The transient nature of the population is making it difficult to break out of the cycle of decline, with those who find work moving away only to be replaced by those who are unemployed.
- Much of Brighton and Hove's small stock of social housing is concentrated in the East Brighton area; with almost two thirds of residents living in social rented properties. The Council wants to attract more 'mixed tenure' and a greater diversity of population to these neighbourhoods.

4.3 CASE STUDIES OF DEPRIVED NEIGHBOURHOODS: SAUNDERS PARK AND NORTH MOULSECOOMB

- Saunders Park is an area of social housing operated by a consortium of housing associations, with good accessibility to the city centre. It is characterised by:
 - a young, transient population
 - a lot of young lone parents, yet no local family or older resident support network for childcare arrangements

- little wealth retention
- poor local financial service provision, with no banks or post offices
- a cycle of decline as those with work tend to move away to be replaced by the unemployed and workless
- North Moulsecoomb is the most deprived ward and mainly consists of social housing. It is characterised by:
 - many long established families experiencing several generations of unemployment
 - very low educational attainment
 - those who are working are typically in part-time and seasonal low paid service work
 - some local employment opportunities in light industrial and service activities

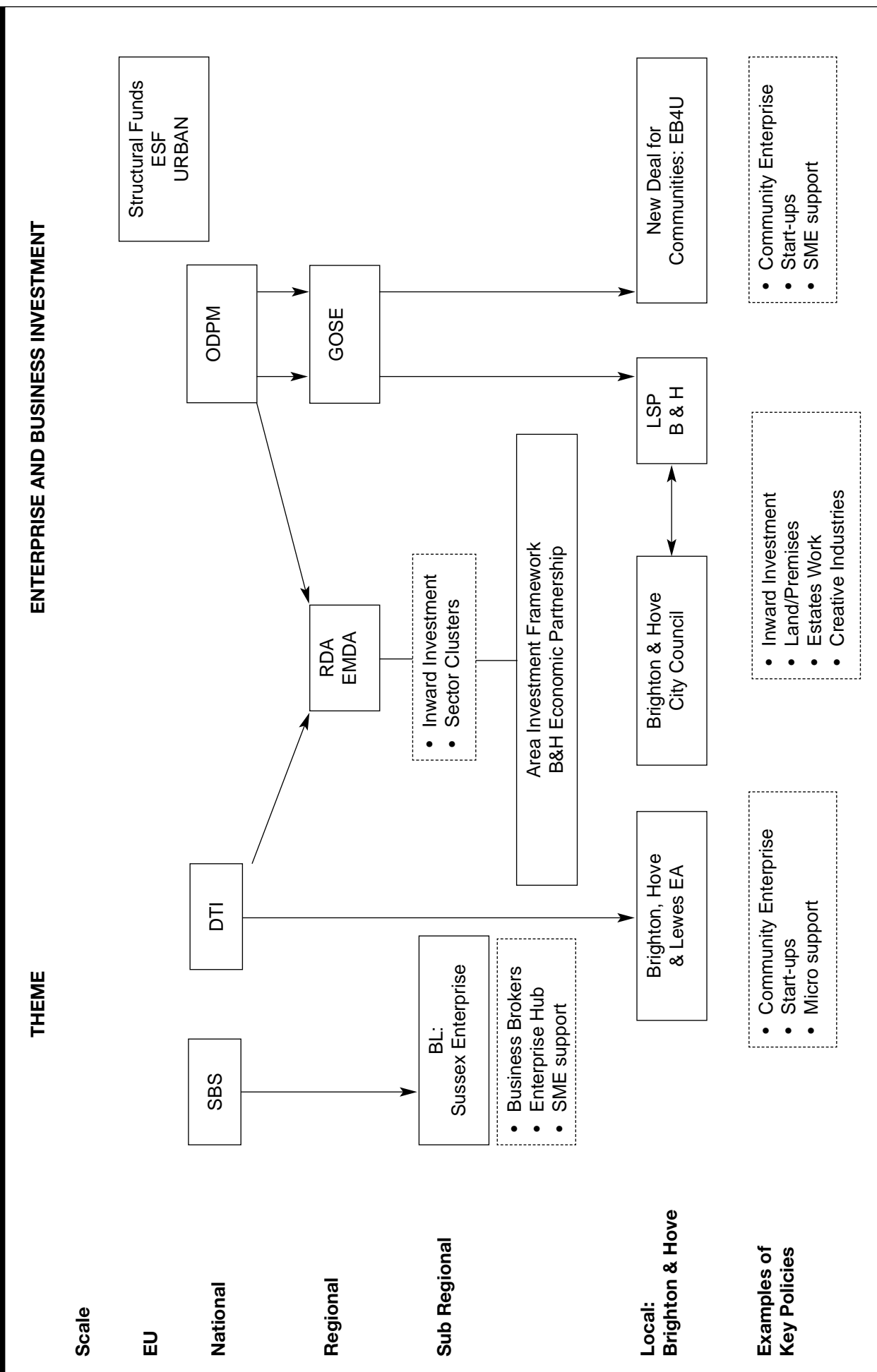
4.4 CO-ORDINATION AND INTEGRATION OF POLICY STRATEGIES AND ECONOMIC INITIATIVES

- In recent years there has been a proliferation of local economic development partnerships and three separate city-wide regeneration strategies originating from different organisational interests and government programmes, resulting in some tension between the business development and social inclusion interests.
- At the sub-regional level (ie Brighton and Hove and the neighbouring district of Adur), the Area Investment Framework is now the principal vehicle for achieving closer integration and joint-working.
- Brighton and Hove Council's Economic Regeneration Division is a facilitator rather than deliverer of services, with its strategic priorities being presented in the Brighton and Hove Regeneration Strategy (April 2002). The SRB has been the main source of funding for the Council's regeneration policy initiatives since the mid 1990s.
- As most of the LSC Sussex's funding is ring fenced, it has relied on ESF funding for projects targeted at deprived neighbourhoods, such as those involving the community and voluntary sectors.
- The New Deal for Communities programme, East Brighton for You (EB4U), focuses on five neighbourhoods within East Brighton. Enterprise theme projects include employment outreach; assistance to existing small businesses and start-ups; several community enterprises; a credit union; and childcare to help lone parents obtain paid employment.

- There is some move towards more joint funding of local economic development projects, involving SEEDA, LSC Sussex, and Job Centre Plus, although the voluntary and community sector is concerned that this will disadvantage it in bidding to run local regeneration projects.

The following Figures (called Policy Maps) summarise the complex web of linkages relevant to economic development in the area. Figure 4a illustrates the Enterprise and Business policy area; Figure 4b looks at Employment and Skills, and Figure 4c shows the main policy linkages in the field of Regeneration. Although these links and titles of organisations change over time, and in a few cases may have moved-on since the research was undertaken, they broadly remain current.

Figure 4a: Brighton & Hove Local Economic Development Policy Map



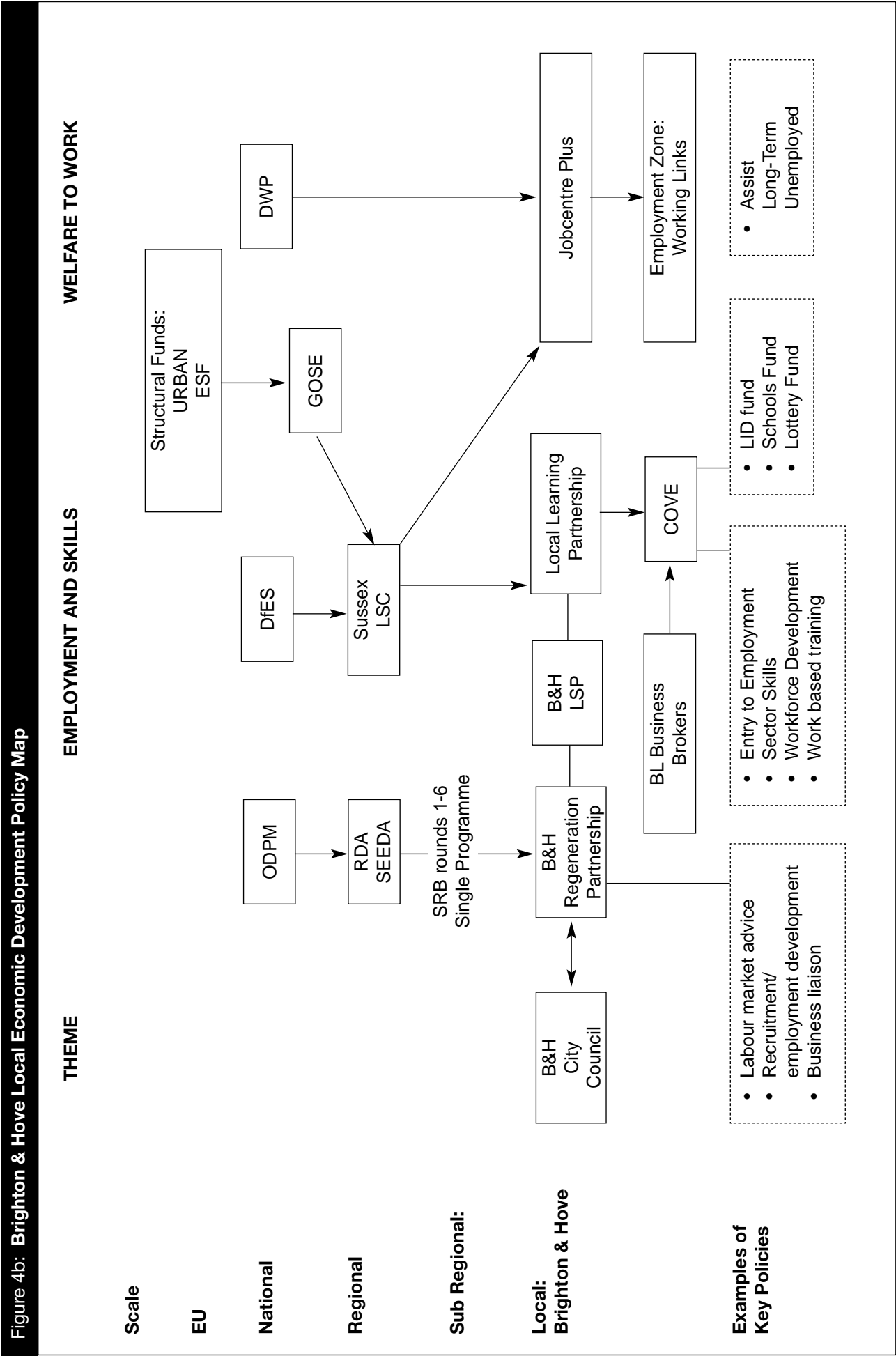
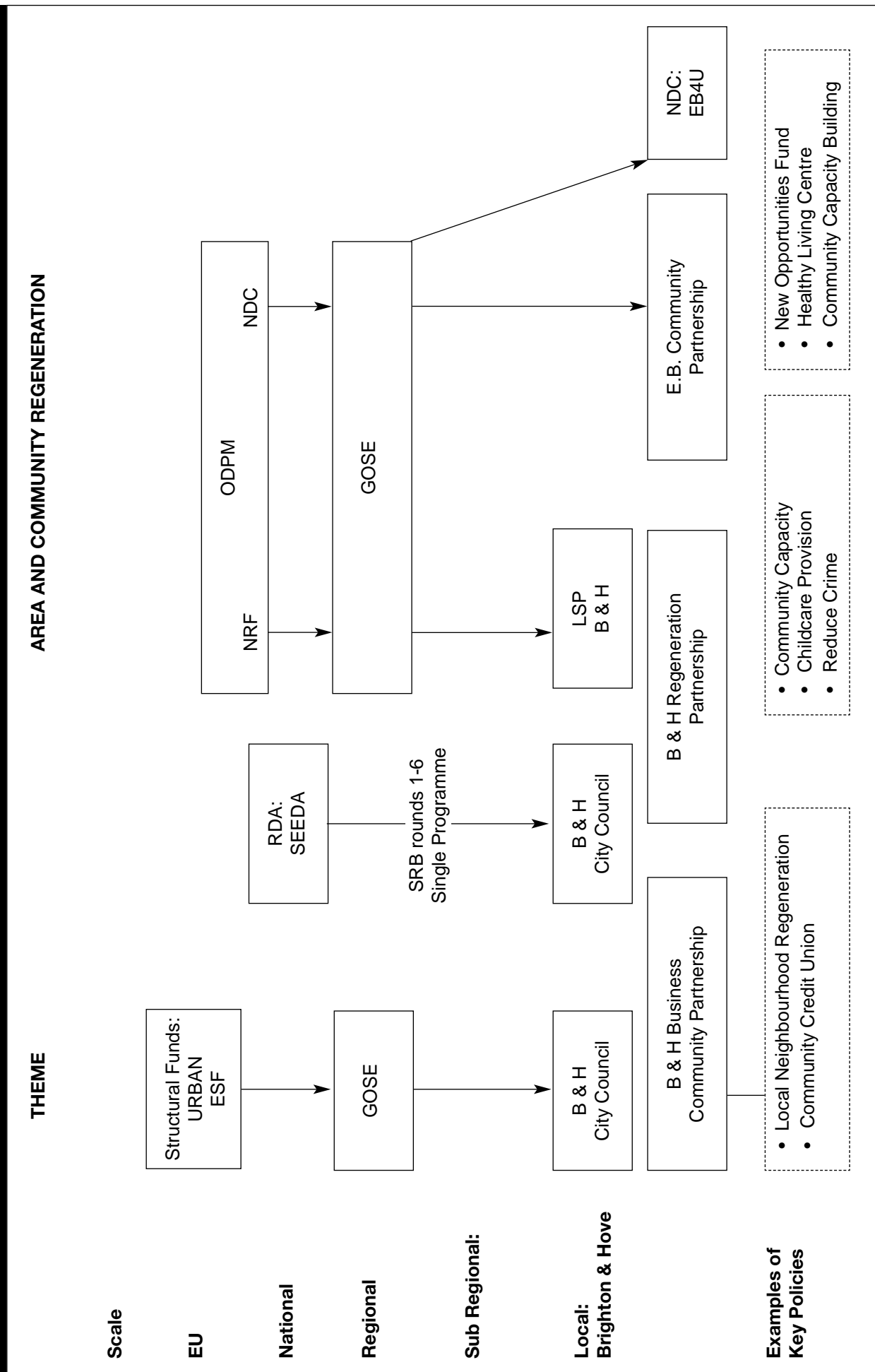


Figure 4c: Brighton & Hove Local Economic Development Policy Map



Case Study 5: Newham

5.1 DYNAMICS OF THE LOCAL ECONOMY

- The London Borough of Newham, in inner east London, was ranked as the fifth most deprived local authority district in England in 2000, despite being geographically close to the capital's financial centre.
- Newham has one of the fastest growing and youngest populations within England, increasing by 15 per cent from 1991–2001 compared with 4.4 per cent nationally. A consequence is that there is a larger proportion of dependants (less than 16 years old) than is the case in either London or nationally.
- Along with neighbouring Tower Hamlets, Newham has the most ethnically diverse population within England, with 61 per cent being drawn from non-white ethnic groups. Each of the main ethnic groups tend to be concentrated in different parts of the Borough.
- In 2001, a smaller proportion of Newham residents were employed in manufacturing (8.3 per cent) than was the case nationally (15.7 per cent), although this was slightly above the Greater London average (7.6 per cent). Employment within financial services (6.3 per cent) and business services (15.5 per cent) were above the national average (4.8 per cent and 13.2 per cent respectively), reflecting Newham's proximity to London's financial and business core.
- Similarly, the 'hotels and restaurants' and 'transport and communications' sectors account for significantly higher shares of the employment of Newham's population (7.3 and 9.5 per cent respectively) than nationally (4.7 and 7.1 per cent respectively). Public sector employment provides a large share of jobs for Newham residents (24.6 per cent).
- Newham's working population is skewed towards less skilled jobs, with fewer people in professional and managerial jobs, but higher proportions in personal service and sales jobs, and 'elementary' (low skilled) occupations.
- In terms of changes to the sectoral employment structure of Newham's local economy over the 1997-2002 period, although the number of jobs in manufacturing sectors declined (notably in metal products, clothing and printing), by far the largest reduction in jobs located in the Borough occurred in the finance and insurance sector (2,800 fewer jobs).
- The biggest increases in the numbers of jobs in Newham over the 1997-2002 period occurred in 'other business activities' (2,541 extra jobs), followed by the retail trade (1,679) and construction (1,518). Large increases also occurred in education (1,437) and public administration (898).
- The business stock in Newham in relation to the resident population remains one of the lowest in London, with 35 VAT registered businesses per

10,000 people compared with 59 in London as a whole. The VAT registration rate over the 1997-98 to 2002-03 period averaged 24.8 per 10,000 adult population compared with a national average rate of 40.7, showing that Newham has a low level of new business formation, especially within a London context.

- The unemployment rate in Newham fell between 1991 and 2001 from 12.3 per cent (of the population aged 16-74) to 6.7 per cent. Over the last five years it has continued to fall and converged towards the London average. In July 2004, the Claimant Count unemployment rate in Newham was 4.5 per cent, compared with 3.3 per cent in London and 2.2 per cent in England.
- Newham is the highest ranked local authority in England in terms of the proportion of unemployed who have never worked (21 per cent). This is particularly high for women (26 per cent of unemployed women) and in those wards with large Asian populations (28 per cent).
- The level of economic inactivity has increased markedly over the last ten years, such that Newham has the highest inactivity rate in England. In 1991 the economic activity rate of the 16-74 year old population stood at 63.7 per cent (67.2 per cent for England) but this fell to 58.7 per cent in 2001 (compared to 66.9 per cent).
- The most commonly cited reason for being economically inactive in Newham is caring for the home and family, and the Borough has the highest proportion of inactive in the country identifying this reason, with particular concentrations in those wards with Asian populations.
- Just over one fifth of the economically inactive population living in Newham are students. Over the last ten years there has been a dramatic increase in the number of students living in the Borough, the availability of relatively cheap rented housing compared to other parts of London being a key factor.
- A large proportion of Newham's residents are disadvantaged in the labour market by their lack of, or low level of, educational qualifications, one third (33.6 per cent) having 'no qualifications' compared with 28.9 per cent nationally.
- Newham has attracted large numbers of foreign migrants and refugees in recent years and interviewees highlighted their lack of English language skills. Several argued that this and the low level of education qualifications generally lay at the heart of the employment problems experienced by Newham residents.

5.2 ECONOMIC PROBLEMS OF DEPRIVED NEIGHBOURHOODS

- Although the Borough as a whole was the fifth most deprived local authority in England in 2000, most of the wards rank between 200 and 500, showing a uniformity of deprivation throughout the Borough. The most deprived wards are Ordnance (ranked 35) and Beckton (ranked 79).

- The average gross weekly pay for Newham residents in 2002 was 23 per cent lower than that for all London residents. For all qualification levels, full-time employees living in Newham receive lower wages than similarly educated employees living in Greater London.
- The Income Support claimant rate is much higher than the national average (16.8 per cent of the 16-74 year old population in Newham, compared to 9.2 per cent in England), with some wards having rates of around 25 per cent.
- Interviewees with knowledge of the most deprived neighbourhoods suggested that a 'culture of worklessness' existed amongst certain groups, suggesting that low expectations and lack of ambition ensured that they were insufficiently motivated to find work. The benefits system was also seen by some as a barrier to employment in that there was a reluctance to substitute benefits for 'in work poverty' resulting from low paid and insecure employment.
- The housing market plays a key role in segregating poorer and more disadvantaged groups from more affluent groups. Newham has a higher proportion of households living in local authority and housing association housing than is the case in London as a whole, much of this being occupied by those who are economically inactive, particularly lone parents and retired people.
- The average number of lone parent households per 1,000 population in Newham is significantly higher than in Greater London, and the proportion of households in Newham that have lone parents with dependent children is the highest in England and Wales. Research evidence indicates that this contributes to the high levels of unemployment and economic inactivity found in the Borough, and that the availability and affordability of childcare is likely to be an important barrier to employment.

5.3 CASE STUDIES OF DEPRIVED NEIGHBOURHOODS: BECTON AND GREEN STREET

- The following two deprived neighbourhoods have been selected from different parts of the Borough: (i) Beckton in part of the former Royal Docks area which has undergone redevelopment since the 1980s and (ii) Green Street, an area of poor housing in the north east of the Borough which has a high concentration of Asian people.

Becton

Key characteristics are:

- although one of the most deprived wards within Newham, Becton is undergoing various changes related to the new developments in this former docklands ward
- unlike Newham as a whole, just over half of the population are white (51 per cent compared with 39 per cent)

- the employment rate is slightly above the Borough average (51.5 per cent compared with 47.7 per cent in Newham as a whole)
- the average income in 2000-01 was significantly above the Borough average, reflecting the fact that a higher proportion of the working population have professional or managerial jobs than found in the Newham as a whole
- key informant interviews drew attention to changes in the social composition as a result of much of the new housing attracting people from outside the Borough wanting to buy their own home
- the character of the local economy has been changing, with the traditional dock related industries being replaced by various ‘lifestyle services’, including a developing hospitality cluster targeting corporate business clients
- a common criticism of the new housing estates is that they lack a sense of community and contain few community facilities including shops, with the result that much of the income ‘leaks out’ of the area

Green Street wards (East and West)

- the area is characterised by a large Asian population (65 per cent), primarily families of Indian (30 per cent) and Pakistani (17 per cent) origin, but also a sizeable Bangladeshi (16 per cent) community
- the unemployment rate in 2001 in Green Street West (GSW) and Green Street East (GSE) was 7.3 per cent and 7.0 per cent, compared with 6.7 per cent for the Borough as a whole
- the employment rate is very low, 40.7 per cent in GSE and 42.0 per cent in GSW compared with 47.7 per cent in Newham as a whole
- the most common reason for being economically inactive is looking after the home and family (28 per cent of the inactive) and reflects cultural traditions relating to the role of the women in Asian families as well as language barriers to obtaining work
- average incomes in 2000-01 were below those of Newham as a whole and the rate of increase in incomes since 1997-98 has been slower
- interviewees describe the area as a ‘close-knit’ Asian community with a vibrant but self-contained economy
- the economy of Green Street is dominated by small independent retailers and wholesalers, specialising in food, textiles and jewellery, which mainly cater for an Asian (and predominantly local) market
- partly as a result of a number of initiatives to promote the area, Green Street is now attracting visitors and ‘cultural tourists’ from elsewhere in London and beyond

5.4 CO-ORDINATION AND INTEGRATION OF POLICY STRATEGIES AND ECONOMIC INITIATIVES

- At the London region scale, east London is being prioritised within the London Plan and the London Development Agency (LDA)'s revised economic development strategy for new development, regeneration and investment. In Newham, the challenge is to be able to seize the opportunities in areas such as Stratford and the Royal Docks to improve the employment prospects for those living in the many deprived wards within the borough.
- The main sub-regional organisation covering east London at present is the Thames Gateway London Partnership (TGLP), this being a voluntary sub-regional partnership. The TGLP produced an economic strategy, 'Going East', in 2001 to cover the 2000-06 EU Structural Funding period. A central objective of the strategy has been to redress the imbalance in London's economy by tackling barriers to economic opportunity, and enabling a higher proportion of east London residents to access employment opportunities.
- As one of London's most disadvantaged boroughs, Newham has had a strong commitment to economic and social regeneration over many years, has qualified for nearly all the government's urban policy and regeneration initiatives, and has received over £300m of regeneration monies since 1996.
- Over the last ten years the SRB has been an important source of funding for a range of regeneration initiatives in particular localities within the Borough as well as several thematic, cross borough initiatives. The European Social Fund has been helping to fund a number of skills and employment training projects, as well as community economic development initiatives within the Borough over the 2000-04 period.
- Much of the Borough's economic development activities are now encompassed by the 'Your Newham' Local Strategic Partnership, with 'employment' being one of six workstreams. Following a recent reorganisation of the LSP, the Borough is currently finalising several strategies, including a new Regeneration Strategy and a revised Employment Strategy.
- At the local neighbourhood level, one of the main area-based initiatives is the West Ham and Plaistow NDC programme, which started in 2000 with a budget of £54m over ten years. The economy theme of the NDC focuses on reducing unemployment and increasing the employability of the resident population, with several projects being training related or concerned with job brokerage.
- A number of those involved in the delivery of regeneration policies were concerned about the confusing number of small scale and often overlapping policy initiatives and projects connected with regeneration, with resources being spread too thinly to achieve critical mass.

- Difficulties were identified in the matching of different funding streams, which has become more difficult with the phasing out of the SRB and the shift towards other regeneration resources, notably the Neighbourhood Renewal Fund (NRF).
- Unlike in some of the other case studies, the relationships between the local authority and the NDC appears to work well, as do those between the NDC and several other key local partners. This may be because strong ties between Newham Council and the West Ham and Plaistow NDC were built-in from the beginning.

The following Figures (called Policy Maps) summarise the complex web of linkages relevant to economic development in the area. Figure 5a illustrates the Enterprise and Business policy area; Figure 5b looks at Employment and Skills, and Figure 5c shows the main policy linkages in the field of Regeneration. Although these links and titles of organisations change over time, and in a few cases may have moved-on since the research was undertaken, they broadly remain current.

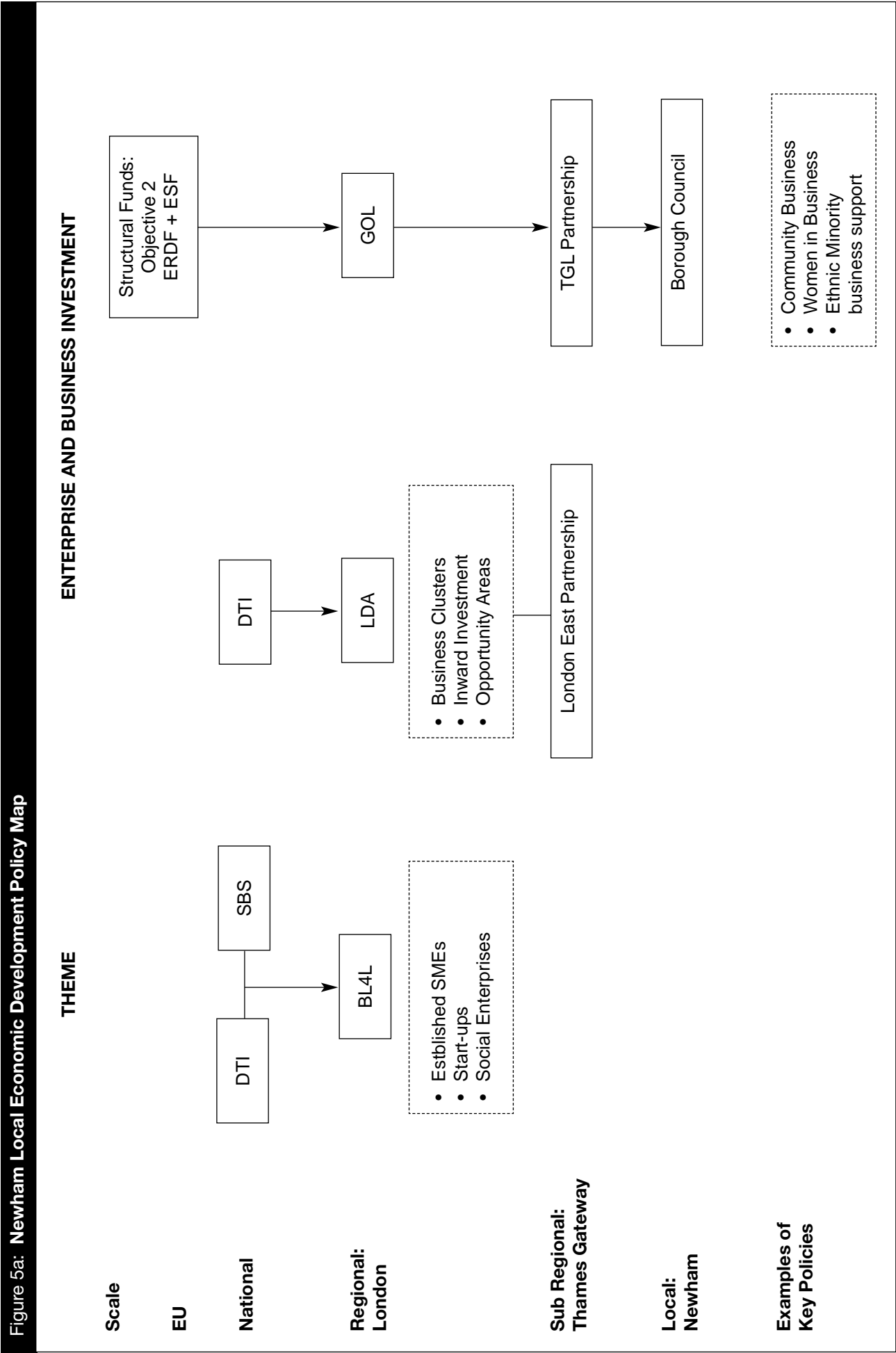
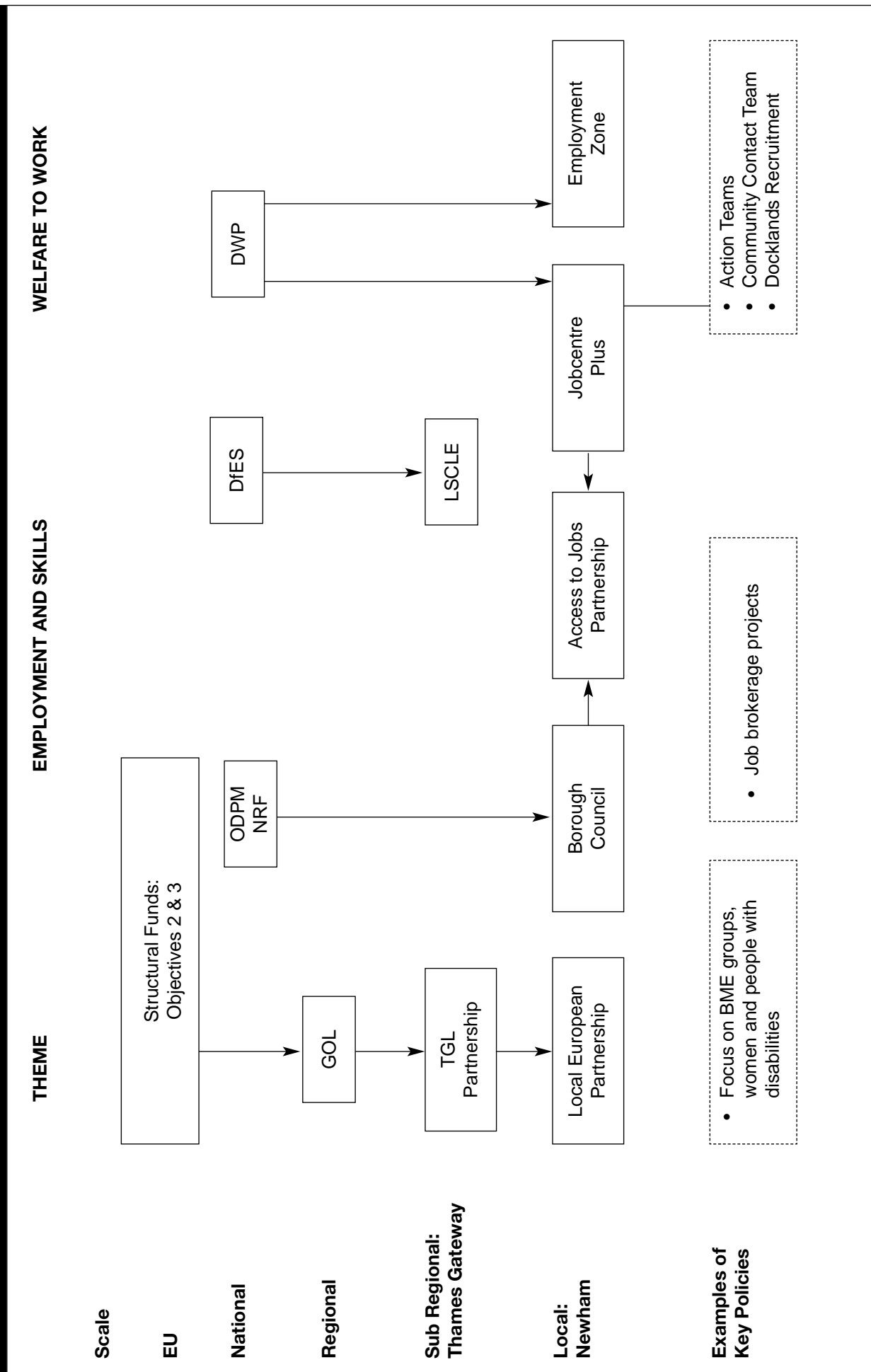
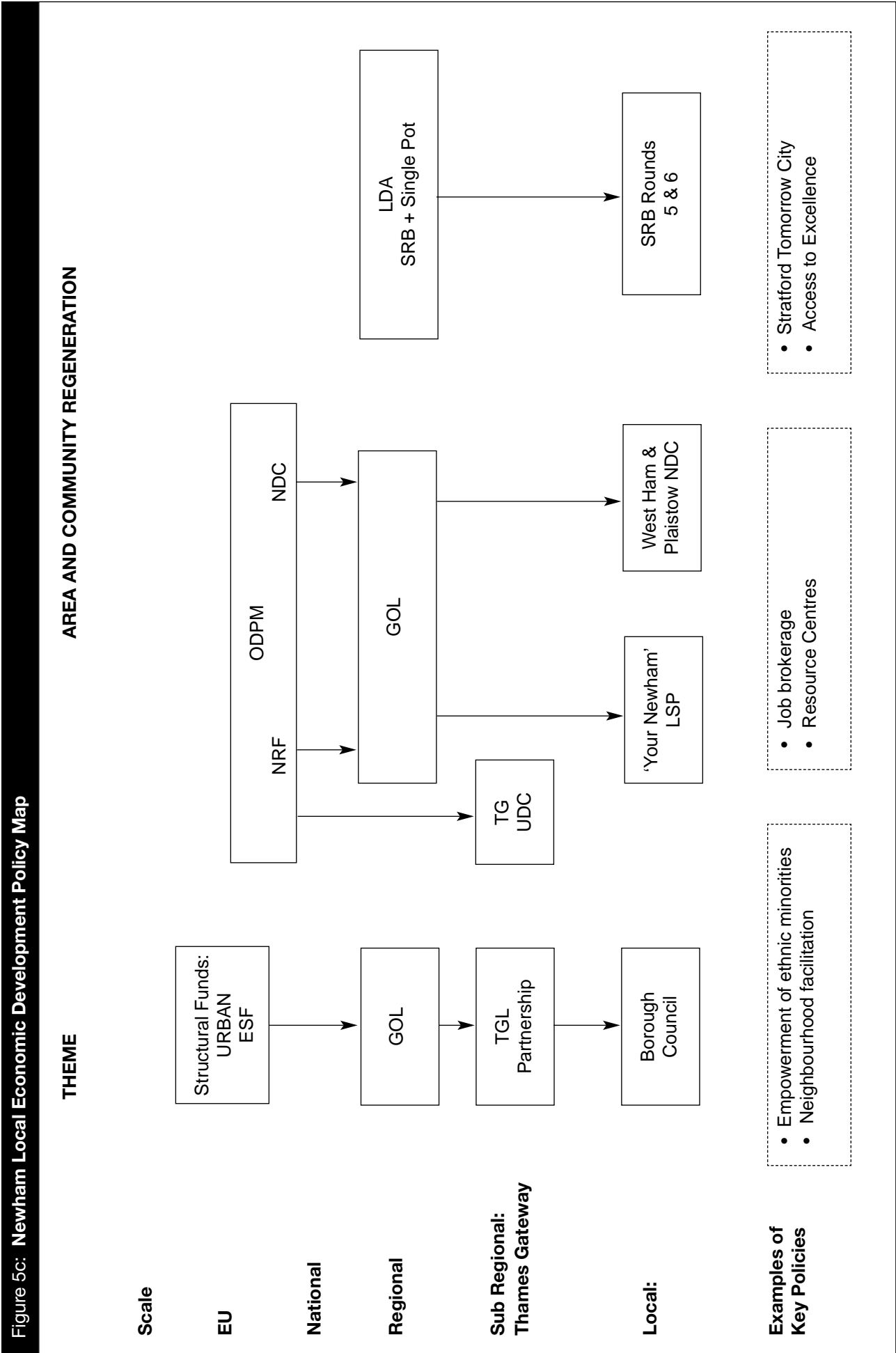


Figure 5b: Newham Local Economic Development Policy Map





PART 1

Overview and Analysis

CHAPTER 1

Introduction

1.1 Context

Although issues of employment and economic development are seen as central to current policy initiatives seeking to promote the regeneration of deprived neighbourhoods, there is still an apparent limited understanding of the economic context in which concentrations of worklessness exist (ODPM, 2004). Amongst those engaged in promoting neighbourhood renewal the difficulties presented in understanding how processes of local economic development operate and how deprived neighbourhoods relate to the wider local, sub-regional and regional economies appears to have limited the ability of policy-makers to identify the mechanisms necessary to effect lasting change.

Against this background, this review seeks to address three related issues. First, a greater understanding is required of how the structure of local economies relating to deprived neighbourhoods is changing, including the roles performed by the private, public and third sectors and the changing nature of local labour markets. This involves the identification of trends within key sectors and forms the basis for identifying possible growth opportunities, emerging sectors, and competitive advantages. An appreciation of the nature and extent of the role of the public sector is also important, given that public sector organisations are often one of the largest employers and purchasers of materials and services within deprived neighbourhoods. Hence harnessing these resources could make a significant contribution to economic prospects, especially in those areas where there is little prospect of substantial private sector investment, for example through the role of local authorities or the NHS (House of Commons, 2002; Levenson and Edmans, 2001; NHS London Region Office, 2002).

Second, there exists a need to comprehend the extent to which the economies of deprived neighbourhoods are fundamentally different from other neighbourhoods, as well as the extent of variations between them. This requires making comparisons between these different areas in terms of their former and present economic structures. A key issue here concerns identifying processes of change within deprived neighbourhoods and whether it is possible to identify 'turning points' in local economies and the economic dimension of 'vicious' spirals of decline. Improved understanding of processes of change assists in the identification of appropriate economic and employment indicators with which to monitor change within both existing and potential areas of deprivation, as well as providing a suitable information base to inform the design of appropriate interventions within deprived neighbourhoods (Audit Commission, 2003).

Finally, and of central importance in grasping the dynamics of deprived neighbourhoods, is a greater awareness of how the economic features of neighbourhoods are embedded within wider local, town/city and regional economies. Recognition that such neighbourhoods form part of wider urban and regional systems influences the nature of the problem identified and the manner of the policy response. The need to situate deprived neighbourhoods within their wider economic and labour market contexts is increasingly accepted, as is the need to develop the links between government policies on regional economic growth and neighbourhood renewal (House of Commons, 2003).

By taking a holistic view of local economies this review will also draw together some of the key themes and findings to emerge from recently completed reviews commissioned by the Neighbourhood Renewal Unit (NRU) (North et al, 2003; Sanderson, 2004; Evans et al, 2004), and apply their findings to gain an improved understanding of processes of change evident within the case study areas.

1.2 Objectives and Key Questions

The objectives of this review are:

- To identify the characteristics of local economies and processes of local economic development and how these are embedded within wider urban, regional, national and global economies.
- To analyse existing evidence relating to trends in key sectors in the local economies of deprived areas, as well as in the role and extent of the public sector within these neighbourhoods.
- To analyse the existing evidence base with respect to the dynamics and processes of change within the economies of deprived neighbourhoods, the characteristics of such areas, and how these differ between areas and neighbourhoods.
- To provide in-depth analysis of selected case study local economies to enable a comparison between the economies of different types of deprived neighbourhoods.
- To assess the extent to which the evidence base addresses the policy needs of the NRU and other government departments in relation to the neighbourhood renewal agenda.
- To identify the implications and lessons from the review for policy development in the context of the neighbourhood renewal agenda, including consideration of the appropriate spatial levels for different types of interventions.

In the pursuit of these objectives the following four sets of related questions are addressed:

What are the characteristics of local economies and how are these embedded within wider urban, regional, national and global economies?

This requires consideration as to how local economies interact with the wider economy, as well as the extent to which issues of economic growth and competitiveness relate to issues of social cohesion within localised concentrations of deprivation. Are poorer neighbourhoods a structural feature of urban systems and does the presence of localised concentrations of deprivation have a negative impact upon developments at wider spatial scales? An understanding of these relations also leads to consideration of the appropriate spatial scale for different types of economic policy intervention.

What are the differences in the dynamics of the economies within which deprived neighbourhoods are situated?

The focus here is upon the importance of the current and former economic base of these areas (eg former coal-mining areas, seaside resorts, inner city areas) in understanding current development paths. What is the significance of different development trajectories (eg areas of long-standing deprivation as opposed to areas only recently experiencing economic problems) and their differential integration into the urban/regional economy? Important factors for consideration here include service sector job growth and the associated rising levels of labour market polarisation, and the role of the public sector within the economy of deprived neighbourhoods. Analysis of this type permits better understanding of the possibilities and constraints for local economic development within different deprived neighbourhoods.

What are the distinguishing economic features of deprived neighbourhoods and how do these differ between areas and neighbourhoods?

This necessitates identifying the economic factors which operate at the neighbourhood scale and differences between neighbourhoods. Are the dynamics of deprived neighbourhoods different to other neighbourhoods and are there important differences between types of deprived neighbourhoods? The possibility of identifying and demonstrating different types of 'area-based effects' is important here, as is understanding their significance to processes of local economic development and labour market inclusion.

What is the economic dimension of processes of change and is it possible to identify particular economic trajectories in the evolution of deprived neighbourhoods?

Consideration here focuses upon the extent to which deprived neighbourhoods enter into a 'spiral of decline'. Can certain triggers for economic decline be identified and what are the key economic processes that contribute to processes of decline? Factors that may arrest and reverse processes of economic decline are clearly important here, as is the possibility of identifying neighbourhoods that are on the brink of entering decline.

1.3 Review Methodology

The review methodology comprised three elements:

Literature Search and Review: The literature search identified relevant material and 'grey literature' in the UK and internationally. The search comprised both general literature on the nature of local economies and their relationship with wider economies, as well as specific literature on the particular characteristics and dynamics of deprived neighbourhoods and variations between them. The literature identified was reviewed in order to reappraise research questions and identify key issues and knowledge gaps.

Analysis of Selected Case Studies: Five local economies were selected for more in-depth analysis of their economic dynamics and to provide the basis for a systematic analysis of differences between deprived neighbourhoods (see 5.1). The selection of case studies ensured coverage of a range of deprived neighbourhood types (coalfields, inner city areas, coastal resorts, etc.) within different local/regional contexts. As well as examining economic change at the district scale, contrasting deprived neighbourhoods within each case study district were analysed to highlight differences in the economic contexts in which residential neighbourhoods are situated.

Analysis of each case study area combined a collection and review of locally produced economic development related reports, alongside analysis of existing secondary data sources on the structure, evolution and key characteristics of the local economy. To assist in the interpretation of trends and key issues face-to-face interviews were conducted with a number of 'key actors' within each case study local economy, including those with responsibility for economic development at the regional and sub-regional levels, as well as at the local level.

Synthesis and Reporting: The findings from the literature review and the case study analysis were synthesised to set out the nature, scope and robustness of the evidence base in relation to the review questions and the implications for policy development and future research needs.

1.4 Structure of the Report

The report contains two parts. Part One (Overview and Analysis) starts by reviewing the existing literature to give a better understanding of the dynamics of local economies and the kinds of economic problems facing deprived neighbourhoods. This is followed by an overview of the findings of the five case study areas and consideration of issues for policy development. Part Two presents the results of the research that has been conducted on each of the five case study areas, reviewing evidence relating to economic change in the economies of the case study districts and selected deprived neighbourhoods within them, before discussing levels of intervention and the governance of economic policy.

Returning to Part One, chapter two starts with an introduction to the relationship between the local economy and the wider spatial context within

which it operates. Following a discussion of how best to define the notion of a local economy within an increasingly global economy, the relationships between economic change and spatial change and their significance to issues of social cohesion and economic competitiveness are examined. The evolution of local economic policy and the issues of appropriate levels of economic intervention are then discussed, setting the neighbourhood scale alongside those of the local, sub-regional and regional levels.

Chapter three focuses upon the economic features of deprived neighbourhoods and the differences between them. In particular this chapter concentrates upon the issue of area or neighbourhood 'effects', to specify their relative importance within the overall economic development of deprived neighbourhoods. Chapter four reviews existing material related to understanding the 'spirals of decline' which characterise the trajectory of change of many deprived neighbourhoods. In seeking to understand the economic dimension of these 'vicious cycles', particular attention is paid to processes relating to the role of housing markets, labour markets, private sector services and social capital.

Chapter five presents the results of the research into the five case study areas. Combining insights from the review with results from primary and secondary research, this chapter provides more detailed insights into the similarities and differences in the economic features of local economies and their deprived neighbourhoods, their relationships to wider spatial scales and the current operation of different levels of economic governance. The full details of each of these case study areas are presented in Part Two of this report. The combination of the findings from the case study analysis and extensive literature review provide the basis for the identification of a series of issues for policy development which are set out in chapter six.

CHAPTER 2

The Local Economy and its Wider Spatial Context

2.1 The Local Economy in Context

2.1.1 DEFINING THE LOCAL ECONOMY

What constitutes a local economy remains weakly defined. In practice the notion of the 'local' is often collapsed with other spatial scales such as the region, city, sub-region or neighbourhood, in much of the academic literature. This lack of specificity of what a local economy is reflects recognition of the impossibility, and of seeking to identify a separate and bounded local economy. In fact a central starting point for all discussion of local economies is an emphasis upon how local level economic activity is fundamentally linked into wider national and international processes and structures, and that understanding these linkages is fundamental to understanding the dynamics of local economies (Cooke, 1989; Harloe et al, 1990; Eisenschitz and Gough, 1993; Blakely and Bradshaw, 2002). The precise composition of any given local economy therefore reflects the interaction between its particular economic characteristics (eg nature of the labour force, sectoral specialisation, infrastructures and accessibility, etc.) which have developed over time through previous phases of economic development, and wider economic processes of change which are shaping current processes of local economic development.

The importance of notions of the local economy and related processes of local economic development are their explicit recognition that economic processes are spatially rooted and that spatial variation in levels of economic activity is a fundamental feature of the economic development process within capitalist market economies. Economic activity is profoundly territorial. Many key economic processes, such as the operation of labour markets, investment location decisions, the clustering of economic activities, sectoral and technological development, the presence of networks, information and shared cultural values, have an important 'local' dimension. Whilst these factors are not necessarily place bound (ie they could occur anywhere), in reality they are usually bound up in specific places (Amin & Thrift, 1997). Recognition of this reality clearly indicates the importance of space and geographical scale both in the conceptualisation of economic processes, as well as for policy intervention. Thus, for example, it is now well recognised that the operation and regulation of labour markets is, to an important extent, geographically constituted. Processes of employment growth, unemployment and wage setting are constituted, at least in part, by their setting within specific local and regional labour markets,

and this has important implications for the development of labour market policy (Peck, 1996; Martin, 2000; Martin and Morrison, 2003).

2.1.2 THE LOCAL ECONOMY IN THE GLOBAL ECONOMY: THE RESCALING OF ECONOMIC ACTIVITY

Recent years have seen an increasing recognition of the key role of local and regional scales in current processes of global economic development (Krugmann, 1991; Storper, 1997; Scott, 1998; Sassen, 2001). Such analyses in particular point to the key role of the region, city-region, and certain localised industrial districts, as central units within the development of a global economy at a time when the role of national economies has undergone relative decline. Much of the evidence for this is drawn from a small number of economically successful global cities, technology districts and industrial districts located around the world, which appear to play a key role in driving forward the development of the global economy. These areas demonstrate that considerable competitive advantages remain in the specialisation and spatial clustering of economic activity in manufacturing, high technology, information, financial and cultural industries.

The apparent shift away from the economic primacy of the nation state and a relative rise in the importance of firms, institutions, actors and state bodies operating at the global and sub national scales points to the importance of new relationships between different scales of local, regional, national, supranational and global; a 'rescaling' of economic activity which forms part of the emergence of the global economy (Swyngedouw, 1997). It also suggests that to understand different aspects of economic activity, different scales may provide greater or lesser insights.

The nature of the emerging relationships between different geographical scales in the global economy is a complex and contradictory process. The increased importance of economic processes operating at a global level might suggest that national and local economic settings are becoming less important as economic activity increasingly flows freely across national borders. Yet the increased mobility of capital, goods and services ensures that local differences actually become more important (Harvey, 1989). As firms become more discriminating about where they locate, localities, towns and cities are actively marketing their unique characteristics to attract mobile investors, visitors and skilled workers. Furthermore, the need to maintain a sense of local identity amongst increasing global flows has led to local communities seeking to reassert their localness by rediscovering their local culture and promoting their local economy (Lash & Urry, 1994).

A further important dimension of the rescaling of economic activity is increased recognition of the persistence, and in some cases increase, of localised concentrations of deprivation. Thus integral to the processes which concentrate economic activity in specialised, knowledge rich areas is the spatial concentration of deprivation and social exclusion, both in declining and economically prosperous areas, as income inequality and polarisation in the labour market increases (Sassen, 2001). Thus the production of new patterns of spatial development are a key characteristic of recent processes of economic

restructuring within a globalising economy, and these need to be understood in terms of different scales and, critically, in terms of the relationships between these different scales.

2.2 Economic Competitiveness and Social Exclusion

2.2.1 ECONOMIC CHANGE AND SPATIAL DEVELOPMENT

A central feature of recent economic restructuring is the development of new spatial patterns of unemployment and worklessness throughout the advanced industrial economies. Processes of structural and technological change within an increasingly globalised economic arena have interacted with state sponsored processes of deregulation and re-regulation of labour markets, to create a new employment landscape (Martin and Morrison, 2003). In the UK, these changes have resulted in high levels of unemployment and inactivity becoming entrenched within certain groups (eg older men, single parents, ethnic minorities) and in certain areas, particularly the large cities in northern Britain and inner London, but also former coalfield areas and some seaside towns (Green and Owen, 1998; Beatty and Fothergill, 1996; Beatty et al, 2000; Turok and Edge, 1999).

A major driver of such change in the UK has been the uneven spatial impact of structural change through job loss via processes of deindustrialisation and service sector led job growth. The dramatic impacts of the loss of manufacturing and coal-mining jobs upon the inner cities, larger metropolitan cities and coalfield areas is well documented (Martin and Rowthorn, 1986; Beatty and Fothergill, 1996; Turok and Edge, 1999) and, as Turok and Edge (1999) observe, the process of manufacturing job loss is still an ongoing one. However, over the last decade the UK national economy has also experienced job growth, principally within service sector activities. A defining feature of this service sector growth has been the increasing polarisation between relatively well paid professionals working in the knowledge industries and low paid workers in insecure and low grade service sector employment, a division most marked within the more successful city-regions (Boddy, 2002). This labour market polarisation alongside continuing high levels of worklessness is a central factor within the persistent and increasing polarisation in terms of household incomes and social exclusion evident in the UK over recent decades (Hills, 1998; Boddy, 2002.).

Spatial concentrations of unemployment reflect a variety of factors. In the case of the older industrial northern towns and many coalfield areas a lack of jobs arising from weak labour demand remains a central explanatory variable (Turok and Edge, 1999; Beatty and Fothergill, 1996). In areas where employment growth has been strong, such as London and the South East, the persistence of high levels of unemployment, often spatially concentrated, reflects the types of jobs being created and the relative inability of the most socially excluded to compete effectively for such jobs (Gordon, 2003). In the case of relatively high levels of unemployment in seaside towns, Beatty and Fothergill (2004) conclude

that such rates are best explained in terms of how in-migration has outstripped job growth; an in-migration process which, at least in part, has been driven by benefit claimants seeking suitable accommodation to rent within such areas. These differences in the processes producing high levels of unemployment in different areas indicates that in seeking to respond to localised concentrations of unemployment, careful attention is required to the operation of labour markets at regional and local levels in terms of both supply and demand, as well as the local interaction with housing markets and population change.

2.2.2 RELATIONSHIPS BETWEEN ECONOMIC COMPETITIVENESS AND SOCIAL COHESION

The persistence of spatial concentrations of poverty and deprivation within prosperous as well as less prosperous urban areas in the UK is well-evidenced (Buck et al, 2002; Boddy, 2003; Turok and Bailey, 2004). Whilst recent economic change has transformed formerly prosperous areas into redundant ones, a noteworthy feature of many areas of deprivation is their persistence over long periods of time despite a range of past policy interventions. Indeed the original rationale for the building of many low income neighbourhoods was specifically to provide low cost labour to particular industries or urban areas (Lupton, 2003). That low-income disadvantaged neighbourhoods persist through successive periods of economic development suggests they perform a structural role within the operation of the wider urban economy via the production and reproduction of low cost labour to provide cheap services to businesses and residents (Fainstein et al, 1993; Sassen, 2001). However, the precise extent to which current concentrations of economic deprivation enable, or indeed constrain, the pursuit of economic competitiveness remains poorly understood.

The link between economic competitiveness and social cohesion within urban areas has been the focus for a number of pieces of recent research. Whilst the link between wider economic processes of deindustrialisation and labour market and income polarisation upon the economic problems of particular economies is well documented, the impact of concentrations of deprivation upon the wider local, urban and regional economy are less apparent. In summarising recent research findings from successful urban areas in the UK such as Bristol, London, Leeds and Edinburgh, Boddy and Parkinson (2004: 428) conclude that 'competitive success is far from incompatible with persistent concentrations of unemployment and social deprivation' and that 'competitive success does not eliminate inequality or concentrated disadvantage'.

For example in London a key characteristic of the recent growth and dynamism of the London economy has been the existence of high levels of unemployment among certain groups and focused in certain locations. A report by the Association of Local Government (ALG) (1998: 34) concluded that: 'There is a very weak connection between local economic performance and the incidence of unemployment, even at the Greater London level. For smaller areas within London this is even more true; spatial variation in unemployment rates essentially reflects the residential distribution of those groups in the weakest competitive position'. Unemployment is higher than the national average in some London neighbourhoods because these areas contain relatively high proportions of households who have the least competitive attributes within a

highly open and competitive labour market. These concentrations are exaggerated in the inner areas principally as a result of the residential segregation generated by the operation of the region's housing market (Gordon et al, 2004). Where job growth has taken place in the London region this has been met at the top end by drawing upon the national and international labour market, by commuters in the middle skill range, and for low skill jobs, by foreign workers (Kleinman, 1998). Hence problems of unemployment are tied to supply side issues concerning the qualifications, skills, experience and attitudes of those who are unemployed and are rooted within the lack of connection between areas of concentrated poverty and the rest of the London/SE economy.

Logically there appear to be a range of reasons why high levels of social exclusion would adversely impact upon competitiveness and economic growth. These would include the impact of a negative image upon business confidence, the driving out of more skilled and better off residents, additional costs in terms of public services, poor education and skills leading to inefficient and underutilised human resources, an undermining of active citizenship and the existence of neighbourhood effects to compound problems of disadvantage (Boddy, 2002). However, in seeking to identify how a lack of social cohesion has in reality negatively impacted upon a city's economic competitiveness, the recent city studies of Bristol, London, and Glasgow and Edinburgh found little clear evidence. There was for example only limited evidence in all cities that low levels of education and skills have had major impacts upon employers (Boddy, 2003; Turok et al, 2004), although there was some evidence that employers were frustrated by the quality of local young people in East London in terms of basic and soft skills (Gordon et al, 2004). Similarly with regard to social exclusion and high levels of crime discouraging investment and the attraction of skilled workers into large urban areas, there was in fact only limited evidence of this, given that investors and skilled workers can largely isolate themselves from such issues via strategies of segregation. It was recognised that threshold effects may be important here particularly at smaller spatial scales, and thus such impacts only become apparent when problems of criminality or anti-social behaviour reach a particular tipping-point (Turok et al, 2004; Buck et al, 2004).

The lack of strong evidence of the relationships between economic competitiveness and social cohesion may be partly due the difficulty of identifying them given the complex, indirect, and circular nature of such relationships. However, that deprived neighbourhoods can persist despite economic growth within the wider urban area suggests that reliance upon processes of trickle-down to provide jobs and higher standards of living is untenable. Furthermore, it suggests that the principal justification for policy intervention in deprived areas should be that of social justice, reducing poverty and improving the quality of people's lives, rather than supporting economic efficiency and growth (Turok et al, 2004). There does of course remain an economic rationale too for such intervention. Although evidence remains limited, in a period of tightening labour markets, improvements in labour supply and in promoting connections between areas of growth and worklessness can contribute to overcoming labour and skills shortages that may negatively impact upon economic growth and competitiveness. Similarly, social unrest, as occurred in a number of British cities in 2001, can have a significant impact upon business costs and confidence, and in particular locations, high levels of criminality can incur significant additional costs (Potts, 2002).

2.3 Local Economic Policy and Scales of Intervention

2.3.1 THE EVOLUTION OF LOCAL ECONOMIC POLICY

Although there is a long tradition of local economic policy within the UK which can be traced back to the growth of municipalisation in the nineteenth century, renewed interest in the local economy and the development of local economic policies emerged from the late 1970s. This revival of interest in the local dimension reflected a period of intense economic and political restructuring. Particularly influential was the phase of profound economic restructuring that developed from the mid-1970s onwards throughout the advanced industrial economies, and which led to the emergence of large scale unemployment, much of it spatially focused in former industrial regions and inner city areas. The existence of severe local economic and employment problems led to political responses at this level, as local level state authorities sought to intervene to alleviate and respond to economic crises (Pickvance, 1990; Eisenschitz and Gough, 1993). In a context where past regional policy was largely perceived to have failed, a strong emphasis emerged upon sponsoring bottom-up responses rather than planned top-down ones.

The nature and extent of local economic policy, particularly in the major cities, has been strongly influenced by the development of central government urban policy and can be traced through a number of phases (Oatley, 1998; North and Baldock, 2000). The focus on area-based social welfare projects provided the initial basis for the development of local economic development activity in the late 1970s. Here local authorities used finance under the Urban Programme to develop local-central partnerships to concentrate resources on relatively small areas in response to the declining employment situation in inner city areas. However, it was following the election of the Thatcher government in 1979 and the subsequent shift towards neo-liberal policies that local economic policy developed a higher profile and became highly politicised. Central government policies in this period sought to bypass local authorities through promoting private sector led urban policies (eg Urban Development Corporations, Business in the Community, City Action Teams) whilst also increasing control on local government finances. At the same time, despite declining room for action, rising unemployment and the ideological challenge of the New Right prompted local and city authorities to seek to develop alternative economic strategies (Boddy, 1984). The absence of other tiers of sub-national governance at a time which saw the abolition of the Regional Economic Planning Councils and the ongoing decline in regional economic planning provided a vacuum at the sub-national level which central government and local government economic policies sought to fill.

The subsequent development of local economic policy from 1991 onwards echoed the shift towards a greater focus on 'competitive localism' (Stewart, 1994). This sought to encourage more innovative solutions through a process of competitive bidding for funds (eg via City Challenge and the Single Regeneration Budget) and a much greater prominence on a multi-sectoral

partnership approach. The availability of European money also became important in this period, particularly within Objective One and Two Regions, encouraging the creation of sub-regional partnerships in order to draw down and implement funding programmes. The proliferation of local economic initiatives as the result of the operation of various agencies and funding schemes also became increasingly apparent in this period, leading to concern about the nature of competing agencies and the need for greater co-ordination and integration between activities (Robson et al, 1994).

Thus whilst much local economic policy during the 1980s and 1990s was strongly oriented at the local authority district scale, with the local authority often occupying a key role, across the 1990s a greater emphasis began to emerge upon 'scale' both in terms of economic processes and governance. The 'rescaling' of economic activity previously discussed combined with the development of new governance structures at the regional, city, sub-regional, local and neighbourhood level by the Blair governments in the post 1997 period, created a new context for the development of local economic policy. In particular the development of the Regional Development Agencies (RDAs) as major institutions in the promotion of regional economic development strategy, alongside the targeting of localised deprivation via neighbourhood renewal strategies and the development of Local Strategic Partnership (LSPs), has ensured that the issue of different levels of governance and their responsibility for economic development has become a central concern (Robson et al, 2000; Goodwin et al, 2002; Fuller et al, 2004).

2.3.2 SPATIAL SCALES AND LEVELS OF POLICY INTERVENTION

Given the embeddedness of local economies within wider processes of economic and social change and the complex and poorly understood relationships between economic competitiveness and social cohesion, a central issue for current policy development concerns identifying the most appropriate types of intervention at different spatial levels to address problems of uneven spatial development, as well as how best to integrate and co-ordinate these interventions. Past practice has seen the development of a range of economic policies at a number of sub-national levels, although the manner of their development has been strongly influenced by the prevailing governance arrangements and the orientation of central government policies. Furthermore, in practice there is often considerable overlap of policies across different spatial scales.

2.3.2.1 The neighbourhood scale

The neighbourhood scale has not been the principal scale of intervention for the majority of local economic development activity, largely in recognition that the economic realities encountered at this level are mainly the result of economic processes operating at local, regional and national scales. Furthermore, at the neighbourhood level the interaction between housing markets and economic development is particularly important to understanding change. For example, the intense concentrations of worklessness and deprivation found at the neighbourhood level are principally the result of sorting mechanisms that operate through private sector markets and public sector housing allocation policies (Cheshire et al, 2003; Brennan et al 2000; Bright, 2003), rather than the direct result of processes of local economic

change. As MacLennan (2000:14) observes: 'Ignoring the core role of the housing system in translating local economic change into damaging concentrations of the disadvantaged is a bit like trying to deal with low wages without understanding the labour-market processes that produce them'.

The particular economic features of any particular deprived neighbourhood will vary in relation to the wider local/regional/city economy in which it is embedded (see chapter 3). However, economic activities which operate primarily at the neighbourhood level include small commercial operations, social and community enterprises and informal economic activity. Although these are responsible for generating only a small percentage of the employment and wealth within a particular neighbourhood, such economic activities can play a highly important role in terms of quality of life and in everyday coping strategies. Thus the development of local economic policy at the neighbourhood level has particularly focused upon actions to develop the community or social economy. The rationale for such actions is not only the creation of employment and additional income, but critically also about building social capital, encouraging local participation and developing community and individual capacities (Mayo et al, 2003; Burns et al, 2004)). Policies here include those that encourage mutuality and self-help (such as community enterprises, Credit Unions, Local Exchange Trading Systems (LETS)). The neighbourhood scale is also particularly important in terms of informal economic activity of various types, such as self-provisioning, mutual aid, unpaid informal work and illegal economic activity. However, there remains a limited knowledge of much of this type of activity and this has not been the principal focus of local economic policy in the past (Evans et al, 2004).

Another approach to tackling economic problems evident at the neighbourhood scale has been to focus upon developing the skills and employability of residents and to aid their integration into the wider labour market. These comprise a range of active labour market measures to raise the competitiveness of neighbourhood residents within the wider labour market (eg through improving skills, the quality of employment services, etc.) (Social Exclusion Unit (SEU), 2000), as well as actions that seek to remove local barriers to work and improve access to external markets. These might include the subsidisation of transport and childcare costs or the development of agreements with local employers to encourage workplace integration and recruitment from deprived areas (Newman, 1999).

2.3.2.2 The Local Scale

The local scale has been the principal focus for much local economic policy in the UK. This is largely because the local authority has had a key role in delivering national programmes and developing local strategies, particularly in the absence of stronger regional and sub-regional governance structures. As a result, local authorities and related partners have, at times, become involved in interventions that may have been more appropriately carried out at higher spatial levels, such as the attraction of inward investors.

Local economic policy has particularly focused upon promoting economic development (eg sectoral policies; development of local supply chains and clusters); business development (eg support for business start-ups and self-employment as well as developing the local business community, retaining

businesses and attracting new ones); physical regeneration (eg land acquisition and development, property development, the planning and development process and the provision of infrastructures such as transport and communications); labour markets (eg identifying skills need; education and training provision) and community economic development (eg support for the development of community enterprises, the voluntary sector and self-help initiatives) (Audit Commission, 1999).

2.3.2.3 The sub-regional and regional scale

Economic interventions at the regional and sub-regional scale largely overlap with many of those undertaken at the local scale. However, evidence suggests this scale is more appropriate to a number of areas of intervention, notably in relation to the labour market, innovation and technological development, the attraction of inward investment, and the development and co-ordination of large scale physical investments and events.

The sub-regional level is commonly identified as the most important in terms of addressing many labour market issues relating to both labour market demand and supply side issues concerning shifts in sectoral employment and changing skills need. A sub-regional perspective is particularly important in terms of generating new employment opportunities within broader economic development strategies. As North et al (2003) conclude: 'There is little evidence to support the case for targeting job creation specifically at deprived neighbourhoods, firstly because of the difficulties in attracting businesses to deprived areas and, secondly, because of the problems of 'leakage' effects due to migration and commuting'. Labour demand therefore needs to be addressed in the context of local economic development strategies linked into wider sub-regional and regional strategies.

Although innovation is important at the national and international level, there is also a considerable literature emphasising its importance within a globalising economy at the level of the region and the city-region (Castells and Hall, 1994; Cooke and Morgan, 1998). Central to region and city-region innovation appears to be the presence of cutting-edge knowledge, pools of high-quality labour, specialist and general business services, and transport and communications infrastructures such as major airport hubs integrated into national road networks (Simmie, 2004). Policy support therefore appears to be most usefully focused upon cities and regions which have some or all of the above characteristics. However, it is recognised that there is no one model for developing successful and innovative city-regions and Cooke (2004) argues that the stimulation of an innovative and knowledge based economy needs to be at the core of all regional development strategies.

The attraction of inward investment and visitors through active place marketing is again better organised at a higher spatial scale due to the high costs involved in doing this professionally and the dangers of overlap, competition and mixed messages arising from different local strategies (Ernst and Young, n.d.). The relative success of Scotland and Wales in attracting inward investment during the 1980s and 1990s compared to other UK regions is partly attributed to the fact that these were the only UK regions with development agencies that had the financial and organisational capacity to develop coherent international strategies for attracting inward investment. Similarly, with regard to larger

strategic investments (eg in airports, major business park, etc.) and the organisation of large events, the regional scale is clearly the most appropriate to developing and co-ordinating economic initiatives which will have a far ranging economic impact upon the wider region.

2.3.3 THE LIMITATIONS OF LOCAL ECONOMIC POLICY

Throughout its development, the rationale for local economic policy has been drawn from a combination of factors including economic growth and efficiency, social justice, social capital and political participation. Importantly, the justification for local economic interventions are often as much social and political as they are about economic benefits. This reflects an approach which at the local level sees the clear interface between economic activity and the social and political spheres, as well as acceptance of the constraints of what can be achieved locally in terms of promoting local economic development (Eisenschitz and Gough, 1993).

The fundamental constraints facing local economic policies are those associated with area based policies more generally; that is their inability to tackle the root causes of many of the problems they seek to address. This is because economic problems which are manifested locally are normally the result of regional, national or international processes of change. For example, the effectiveness of local employment and training initiatives is related to conditions in the wider labour market. Evaluations of the City Challenge and SRB programme both illustrate this point, demonstrating how demand conditions in the wider labour market were significant to the overall success of the employment and training initiatives undertaken (Russell et al, 2000; Rhodes et al 2002). Similarly, with regard to the use of area based policies to tackle problems of social inequality and deprivation in deprived areas, the impacts of local policies are likely at best to be marginal, given that the pattern of inequality is set nationally (Townsend, 1979). Thus Kleinman (1998) argues that in tackling poverty and deprivation the focus should not be upon place per se, given that the problems of poverty are only in limited instances localised in character. Rather such problems are more generally widely distributed in relation to national and international economic and social factors, and hence require more than local action as a solution. In fact a danger with local economic policy is that problems are mis-specified, with the risk of making the particular locality appear to be responsible for its particular economic problems and hence absolving national governments from taking action.

Given these constraints, most commentators argue that local economic policies on their own are of limited use, and that national government policies continue to have a central role. As Moore and Begg (2004) conclude with regard to their study on the competitiveness of urban areas, policy which simply focuses on the regeneration of specific areas is unlikely to be successful. Rather, they argue, attention needs to be given to the wider urban system, and policy should primarily focus on the engagement of mainstream government programmes and how these impact upon different parts of the urban system, rather than narrowly defined urban policy. Whilst such arguments can provide for the rejection of local economic policy 'tout court', for most the argument is for greater clarity about what can be achieved at the local level and greater emphasis on co-ordination between levels of intervention. For example,

Kleinman (1998:3) argues area based initiatives are highly important in terms of their role of providing the appropriate level to organise effective partnership operating with a clear understanding of local conditions: 'But local initiatives cannot alone provide solutions to problems whose causes are national or even international. Local initiatives must be supported by the right kind of policies at regional and national level'.

In terms of co-ordination, Carley et al (2000) conclude from their analysis of nine area regeneration partnerships across England, Scotland and Wales, that they are unlikely to be sustainable outside of a co-ordinated regional development framework. They argue that there is a need for stronger co-ordination at the regional level, as well as between regional level and locally based partnerships, such that local area based employment policies are developed and supported financially within wider travel-to-work and sub-regions. However, to date a barrier to this has been the lack of clarity over responsibilities between agencies at different spatial levels, as well as the problems that have emerged from local/neighbourhood initiatives feeling marginalised from the workings of regional agencies such as the RDAs (Robson et al, 2000).

In addition to these problems of tackling economic problems at the appropriate scales and in a co-ordinated manner, there are also significant challenges related to the implementation and evaluation of local economic policy. Of particular importance here are issues of displacement and substitution, such that the economic gains to certain firms and individuals as a result of a policy intervention are offset by losses to others. This is particularly important with regard to jobs, but also applies to service provision, money within the local economy, and community participation. Similarly the issues of 'dead-weight' and non-additionality concern the problems of separating the impact of a particular policy intervention from other influences and of estimating what would have happened in the local economy without any intervention.

2.4 Conclusions

The issue of how economic development is unfolding at different spatial scales and its implications for the most appropriate level for policy intervention is a central challenge for the development of local economic policy. Given that only a small proportion of economic activity is organised at the neighbourhood scale and that the operation of jobs markets and major investment decisions operate at higher spatial scales, the neighbourhood has traditionally been the focus for only a limited range of economic interventions. As the limitations of spatially targeted initiatives are well recognised, it is apparent that tackling deprived neighbourhoods is only likely to be successful through integration with mainstream government programmes and actions at various spatial levels. In the current context of a period of economic and employment growth, but also rising income inequalities and concentrations of social deprivation, a central policy concern becomes how to link the socially excluded into processes of economic growth more effectively and how the co-ordination of policy interventions and governance arrangements operating at different spatial levels can best contribute to achieving this. However, this requires careful understanding of the particular context of deprived areas and how they are linked into the wider sub-regional and regional context.

CHAPTER 3

The Economic Distinctiveness of Deprived Neighbourhoods

Although deprived neighbourhoods do not have a separate 'economy' isolated from that of the wider economy, they do have certain common economic characteristics. Consequently, in considering the relationship between these neighbourhoods and the local economies in which they are rooted, a fundamental issue is the identification of similarities and differences in the economic characteristics of deprived neighbourhoods which differentiate them from other neighbourhoods, and which consequently shape their development paths.

3.1 Economic Characteristics of Deprived Neighbourhoods

In comparison to the economic structure of more prosperous areas, a general feature of deprived neighbourhoods is the relative weakness of the private sector in terms of employment, investment and service provision. As a result, the public and third sectors are often relatively more important in terms of providing work and income, although the lack of dynamism of the private sector also negatively impacts upon these other sectors. Deprived neighbourhoods are most often distinguished economically in terms of their labour market characteristics, most notably in terms of high levels of unemployment and worklessness, low rates of economic activity and employment, low levels of skills and education, and of wages and household income. Furthermore, levels of formal entrepreneurship and small business formation also tend to be lower, whilst the role of informal economic activity is relatively more important in terms of getting by on a day-to-day basis. The balance between these factors does, however, demonstrate notable variations. The economic characteristics of selected deprived areas are considered in more detail in section 5.2.

3.1.1 TYPES OF CAPITAL

Deprived neighbourhoods suffer relatively lower levels of existing human, financial and physical capital. A central economic feature of deprived neighbourhoods is the weakness of local labour markets and the low levels of education and skills of the resident population. A degraded physical environment also reflects a lack of ongoing investment from both private and public sector sources, often over long periods of time. Attracting in private finance into regeneration areas generally suffers from perceptions of weak

market demand, the adverse quality of the environment and additional management problems associated with involvement in urban regeneration projects (Centre for Property and Planning (CPP), 1998). Private investment in urban regeneration projects is principally evaluated in terms of the potential for rental growth arising from occupier demand and capital appreciation, plus additional factors such as the level of risk and physical quality of the development, and the environmental quality of the contiguous neighbourhoods. This commercial reality means that deprived neighbourhoods generally provide few attractions to property developers. Given low levels of private sector capital investment, public sector investment is relatively more important in deprived areas, but patterns of public sector investment are themselves strongly influenced by those of the private sector.

In terms of attracting businesses into deprived areas, the relatively low levels of spending power and skills available locally, combined with the negative images of such areas, provide strong disincentives to business investment. For indigenous growth via self-employment and business start-ups, those resident in deprived neighbourhoods are themselves capital poor, thus self-finance, the most important source of finance for small firms elsewhere in the economy, is less available in these areas. Furthermore, a lack of collateral, a more fragile local economy, the higher costs of smaller loans, plus a lack of approachability and apparent disinterest of banks, all compound the problems of accessing external sources of finance for entrepreneurs within deprived neighbourhoods (SEU, 1999).

In the area of social capital, there is evidence that deprived neighbourhoods may have levels of certain forms of social capital – notably intra-community ‘bonding’ social capital which connects members of a group to each other – that are equal to, or above, that of more affluent districts. For example in her study of deprived neighbourhoods in the US, Bright concludes that certain types of low income neighbourhoods are on a par with, or even superior to, their wealthier neighbours in terms of levels of social capital (Bright, 2003). Forrest and Kearns (1999) in their summary of findings from various Joseph Rowntree Foundation studies also conclude that social capital survives in many disadvantaged neighbourhoods and that it would be wrong to characterise disadvantaged areas as lacking social cohesion and interaction.

The existence of stronger bonding social capital within certain deprived areas reflects the limited degree of mobility of residents in such neighbourhoods compared to more affluent areas, as well as the importance of informal networks for getting by on very low incomes. Traditionally, large scale employment in particular factories, mines or shipyards contributed to the development of locally based networks, although with the closure of many of these large employers this source of ‘bonding’ is of declining importance. Strong bonding local social capital is associated with relatively stable populations, which is clearly not the case for all forms of deprived neighbourhoods, some of which are characterised by a highly transient population. The downside of heavily bonded communities is they can lead to an insular and exclusionary local culture which limits connections to potentially beneficial external networks (de Souza Briggs, 1998; Taylor, 2002). For example Das et al (2003) found that in the case of immigrant groups, the support networks that they develop can prevent outward linkages to other social

networks. Similarly, strongly bounded local social networks limit processes of job search to the immediate local area.

Whilst stocks of bonding social capital may be high in deprived neighbourhoods, there often remains an absence of other forms of social capital. This is particularly notable with regard to the lack of extra-community 'bridging' social capital, which connects different groups and individuals to a wider range of social networks that extend beyond their community (see 3.2.2.1 and 4.3.4). Furthermore, the presence of social capital per se, is of limited use (Conscise, 2003). Social capital needs to operate alongside other forms of physical, financial and human capital if positive socio-economic development is to take place. In deprived neighbourhoods the relative absence of these other forms of capital necessarily limits any potential positive benefits that may arise where certain forms of social capital are present.

3.1.2 DIFFERENCES BETWEEN DEPRIVED NEIGHBOURHOODS

Although it is possible to identify certain common economic characteristics of deprived neighbourhoods, two factors need to be recognised. First, deprived neighbourhoods exhibit fundamental differences, and generalising across them may obscure more than it reveals. Differences between deprived neighbourhoods and the problems that they face are emphasised by nearly all authors writing in this field (eg McGregor and McConnacie, 1995; Maclennan, 2000; Buck, 2001, Lupton, 2003). Similarly the SEU (1999) points to the marked differences between former coalfield neighbourhoods and socially polarised inner city areas with a large ethnic population, to emphasise the contrasts in the nature of socio-economic processes operating within these distinctly different milieus.

Second, economic characteristics are much less important in terms of understanding why concentrations of deprivation exist where they do, in comparison to housing market characteristics. The housing market in deprived neighbourhoods has much higher proportions of social housing and low cost rented properties than other areas. It is residential sorting mechanisms associated with the allocation of social housing and the availability of low cost rented property which is often the primary factor in the emergence of concentrations of deprivation (Maclennan, 2000). However, once again these sorting mechanisms will vary within different neighbourhoods and such differences will have important second order effects (Buck, 2001)

3.2 Area Effects and Economic Development in Deprived Neighbourhoods

Central to the analysis of processes of change within deprived neighbourhoods is the extent and the relative significance of 'area based' effects in reinforcing the problems of these areas. The issue of 'area effects' relates to whether spatial variations in social and economic conditions which produce concentrations of deprivation are purely the result of 'compositional effects', that is they reflect the characteristics of the population that compose the area, or whether it is

possible to identify additional effects emanating from the area or neighbourhood. Area based effects are those that go beyond non-spatial explanatory variables (such as age, gender, ethnicity, etc.), and can have negative or positive consequences. With respect to deprived neighbourhoods such area effects are overwhelmingly negative, acting to further compound problems of concentrated disadvantage and contribute to social exclusion. Hence in analysing processes of social exclusion, the issue becomes whether genuine contextual effects of area deprivation are operating such that an individual is likely to have worse life-chances in a more deprived area (Buck, 2001).

3.2.1 IDENTIFYING NEIGHBOURHOOD EFFECTS

A wide range of potential 'area effects' can be identified (Ellen and Turner, 1997; Atkinson and Kintrea, 2001). It is useful to distinguish between those effects that flow from the characteristics of the population, and those that flow from the characteristics of the place itself. Area effects that flow from the characteristics of the population include: the nature of socialisation processes in deprived neighbourhoods; the existence of constraining forms of social capital and restricted social networks; the stigmatisation of residents through the poor reputation of a neighbourhood; and a high burden on local service provision. In contrast intrinsic place based area effects include: the poor-quality and/or absence of private services; lower standards of public service provision; features of the built environment; the physical isolation of a neighbourhood; and high levels of environmental pollution. In addition, it is also important to note the presence of indirect effects. For example higher levels of criminal behaviour and social disorder (which may result from some of the proceeding factors) may impact upon all neighbourhood residents, either by constraining behaviour or through the costs of victimisation.

There is considerable dispute within the academic literature as to the existence of area effects and their relative importance (McCulloch, 2001; Buck 2001). Much of the academic literature on area effects is derived from studies from the US, which have particularly focused upon neighbourhoods that are characterised by extreme segregation, predominantly on a racial basis, and high levels of disparity rooted within close connections between employment, income and housing quality. Reviews of the US literature generally conclude that area effects are important in these neighbourhoods (Ellen and Turner, 1997; Brooks-Gunn et al, 1993; Jencks and Mayer, 1990). However, as Ostendorf et al. (2001) observe, the European context is significantly different from the US, in that levels of disparity are moderated through the operation of the welfare state and the provision of social housing, whilst levels of racial segregation are generally much less pronounced. Therefore neighbourhood effects identified in the US, particularly those related to discourses concerning the identification of a 'ghetto culture' or an 'underclass' (Murray, 1996), may not be as apparent in the European context, particularly if there is an expectation that such effects may only become significant above certain thresholds.

In the UK a number of reviews have concluded that the evidence for neighbourhood effects is weak (Gordon, 1996; Dickens 1999; DETR 2001; Sanderson, 2004). However, a number of UK studies do provide evidence of the

existence of various area effects (Fieldhouse, 1999; Buck, 2001; Atkinson and Kintrea, 2001; Forrest and Kearns, 2001; Burgess et al, 2001; Clark and Drinkwater, 2002; Lupton, 2003; Mumford and Power, 2003). One major reason for the lack of clarity and agreement with regard to area effects is the difficulty in demonstrating them empirically given the complexity of disentangling an individual from the context in which they reside, socialise and grow up. As Manski (1993) observes, this central problem is one of 'simultaneity'; people are influenced by their context and at the same time influence their context.

There are also a number of other related methodological problems (Buck, 2001). First, the process by which individuals become resident in different neighbourhoods reflects a degree of selection, which means that individual characteristics will influence choice and outcomes which may over/under play neighbourhood effects. Second, statistical data available for the neighbourhood level are restricted and often of poor quality and limited relevance in measuring area effects. Third, in seeking to identify effects there is a need for sensitivity to non-linear relationships, recognising that effects may come into operation at particular thresholds (Galster et al, 2000). Fourth, there is an issue of spatial scale, as different neighbourhood effects will operate at different scales. Finally, the combination of interrelated factors within any given area ensures that there are multiple pathways of cause and effect; the existence, extent and importance of neighbourhood effects will clearly vary in relation to the characteristics of particular areas.

3.2.2 NEIGHBOURHOOD EFFECTS AND ECONOMIC DEVELOPMENT

In considering how neighbourhood effects are significant to local economic development within deprived neighbourhoods, their role appears particularly significant in processes of labour market exclusion and private and public sector investment and service provision.

3.2.2.1 Labour market exclusion

Buck and Gordon (2004) conclude that with regard to employment and social exclusion, the existing evidence suggests that neighbourhood effects are marginal relative to the importance of factors related to individuals and households. This view is echoed by Sanderson (2004) who concludes in his review of the literature to barriers in employment within deprived neighbourhoods that the extent and variability of the problems of unemployment and worklessness can be explained mainly in terms of 'compositional effects', that is the characteristics and circumstances of individuals and households who tend to be concentrated in these areas.

However, these reviews also note that it is possible to identify certain neighbourhood effects with regard to labour market exclusion and that various institutional factors at the neighbourhood level do operate to structure social relationships, opportunities and constraints at the individual and household levels. The extent to which neighbourhood effects compound problems of labour market exclusion are particularly important with regard to the development of localised work cultures, restricted social networks and employer discrimination against stigmatised neighbourhoods. In addition, it is also possible to identify a number of other 'indirect' barriers to labour market

engagement in any given neighbourhood; for example fear of crime may lead to avoidance of being out after dark thus restricting job possibilities, or a physically isolated location with poor public transport links may reduce access to the local labour market (Buck, 2001; DETR, 2000).

Localised cultures of worklessness

Perhaps the most controversial area of debate concerning neighbourhood effects concerns whether severe concentrations of deprivation within particular neighbourhoods produce and reproduce a localised 'culture' related to marginalisation and alienation from mainstream societal values and norms. Debate on such localised cultures has been heavily influenced by US studies. Here severe segregation of neighbourhoods, predominantly on the basis of race, has led some theorists to identify the existence of an 'underclass' with a particular set of cultural traits variously referred to as a 'culture of poverty' or 'ghetto culture'. The most controversial proponent of this viewpoint has been Murray (1996), who argues that a 'culture of poverty' develops within poor neighbourhoods with an expectation of welfare benefits, normalisation of illegal behaviour and the emergence of a set of values at variance to those of mainstream society. Murray goes on to argue that the problems of such areas arise in part from the moral deficiencies of the poor.

Whilst most other academic work firmly rejects the creation of social pathologies, through which specific communities are viewed as responsible for their own problems, there has been considerable interest in the extent to which localised cultures related to disadvantage compound individual disadvantage. In the UK context, given that the intensity of segregation is much less severe than in the US, there appears limited evidence to support the notion of distinct local cultures which lie outside mainstream values and norms within deprived neighbourhoods (Lupton, 2003; ODPM, 2004). In fact as Lupton (2003) observes in her study of 12 deprived areas in England and Wales, what was most remarkable was the extent to which relatively isolated communities endorse, rather than reject, mainstream societal values. This is in line with Morris's (1993:410) investigation into a British underclass which concluded: 'there is no direct evidence in my study of a distinctive culture of the 'underclass'. There are differences of a kind which will add to the already disadvantaged position of the unemployed, but not which separate them off as having a fundamentally different style of living'. Such views are also supported by the US evidence which finds no evidence that the urban poor embrace a set of moral values at odds with wider society (Wilson, 1996).

However, there is evidence of how particular perceptions, behaviours and cultural practices are rooted within some, although by no means all, deprived neighbourhoods (Bauder, 2001). The emergence of differing attitudes and aspirations towards work and education reflect the nature of socialisation that takes place within a particular milieu characterised by prolonged periods of worklessness for a high proportion of the resident population. These impacts are apparent in a number of ways in relation to peer pressure, the lack of role models (ie of those in employment or more importantly in good jobs with career advancement possibilities), low self-esteem and expectations, and limited experience, direct or indirect, of the world of work and the expectation of employers. Differences in local perceptions and behaviours are often characterised by a narrow, insular and highly localised view, often strengthened

by local stigma, which produces narrow travel horizons and reinforces exclusion though a loose sense of attachment to the mainstream labour market (Fieldhouse, 1999). Within such local cultures there is a degree of acceptance of the 'normality' of what goes on within an area, a sense of solidarity against the authorities, and an attitude that the system is there to be beaten (Lupton, 2003). Furthermore, in certain deprived neighbourhoods norms can develop out of gang laws and drug cartels, to produce exclusivity and insularity (Taylor, 2002), or through an accepted engagement in illegal economic activity (Cattell and Evans, 1999).

Social networks and linkages to the formal labour market

Studies of localised work cultures and area effects relating to labour market exclusion routinely emphasise the important role of restricted social networks, particularly in terms of linkages to the formal labour market, which limits knowledge of and access to employment opportunities. Many deprived neighbourhoods are commonly seen to be relatively rich in 'bonding' forms of social capital, which are rooted within neighbourhoods and which provide support and solidarity, but relatively lacking in 'bridging' forms of social capital, that link to wider social networks (Putnam, 2000; Burns et al 2001). Overall there is a range of research that indicates the importance of networks of families and friends and social contacts, often greatly influenced by an array of neighbourhood factors, which determines the kind of information that is received, the 'perceptual filter' through which this passes and the attitudes and motivation influencing behaviour (Shuttleworth et al 2003; Meadows 2001; Dean et al 2003; Johnstone et al 2000, Barn 2001; Atkinson and Kintrea, 2001).

Constrained social networks are important in restricting access to the labour market for a number of reasons. First, links to more advantaged mainstream groups and thereby to networks offering important information, material support and moral/cultural examples, are particularly important in terms of employment access (Montgomery, 1991; Russell, 1999). A lack of connections amongst families and friends of more disadvantaged groups to the world of employment, and particularly higher quality jobs limits their knowledge of workplace expectations and opportunities for career development and education and training, as well as limiting the job search process via localised mental map and lifeworlds (Shuttleworth et al, 2003; McQuaid and Lindsay, 2002).. Where social networks are highly constrained a number of studies point to their importance to young people in providing peer influences which affect attitudes, expectations and motivations. In terms of the labour market such peer influences can contribute to low educational achievements and low motivation and self esteem when seeking work (Meadows, 2001).

Second, there is strong evidence that many employers rely upon informal recruitment practices. Informal information on employment opportunities is most likely to be provided by friends and family members who are already in employment, and thus the widespread absence of such contacts is likely to limit access to such information (Watt, 2003). Hasluck (1999) estimates that between a quarter and a third of engagements are filled by informal means. Similarly a recent survey of employers' relations with Jobcentre Plus found that around 40 per cent of employers used informal methods (Sanderson, 2003). There is some evidence from Australia that having close friends who were employed increased the probability of being in employment (Stone et al, 2003), although Atkinson

and Kintrea (2001) did not find a strong relationship in their study of paired neighbourhoods in Scotland. Dickens (1999) argues that network failure is a key problem faced by deprived neighbourhoods, resulting in residents taking longer to move out of unemployment

Third, these processes are reinforced by a tendency of those who enter employment from deprived neighbourhoods to subsequently move away. This removes role models and the potential for further connections for remaining residents and truncates the development of social networks which would help improve access to employment. In the US Wilson (1987, 1996) identifies a lack of role models in deprived areas, caused by the absence of a successful middle-class, as an important factor contributing to the rise of a black underclass.

Employer discrimination

The overt discrimination against employing residents from deprived neighbourhoods on the basis of their residential address is often referred to as a form of 'postcode discrimination'. Such discrimination in the labour market is rooted within the negative perceptions and judgements of employers with respect to the difficulties of employing people from certain stigmatised neighbourhoods or housing estates. Whilst there is evidence for the existence of the negative impacts of area reputation and stigma (Atkinson and Kintrea, 2001) as well as considerable colloquial acceptance that employers actively discriminate against employing residents from neighbourhoods with particularly negative reputations, the research evidence for such postcode discrimination in the UK remains limited. This largely reflects a lack of research that directly addresses this topic, although there is more evidence related to the US.

In the UK Speak (2000) reports evidence of labour market postcode discrimination amongst employers unwilling to engage people from stigmatised areas. Lupton (2003) states that postcode discrimination was widely reported within her 12 case study areas, with young people thinking they would be discriminated against in the job market and some evidence that this was a justified concern. Lawless (1995) in his study of Sheffield found evidence of implicit discrimination by employers against long term unemployed residents of a deprived neighbourhood with a poor reputation. Further evidence of indirect postcode discrimination is provided by Meadows (2001) study which provides evidence of employers discriminating against areas that were not served by reliable public transport.

3.2.2.2 Levels of Private Sector Activity and Investment

A principal economic feature of deprived neighbourhoods is the low and declining levels of formal private sector activity and the absence of private sector investment. This is particularly evident with respect to retail and other service provision, given that in many deprived neighbourhoods there are few other forms of private sector presence. There are a number of neighbourhood effects that contribute to this situation, most notably the nature of the local environment, low levels of demand and competition, and active discrimination by businesses against stigmatised neighbourhoods (see 4.2.3).

Active discrimination against deprived neighbourhoods by the private sector reflects an avoidance of actual and perceived risk of operating within stigmatised neighbourhoods. This takes the form of 'redlining' or 'postcode

discrimination' whereby service providers actively exclude the provision of certain services on the basis of geographical location. Such exclusion is evident across a range of activities and sectors, but has traditionally been most evident and damaging with regard to financial products (such as mortgages and insurance), where redlining directly reinforces neighbourhood problems for business and residents. Other examples of such discrimination can also be noted. Lupton (2003) reports evidence that residents of deprived neighbourhoods were unable to get credit to buy household goods or purchase items from catalogues on the basis of their postcode. In the US, new entrants into the telecommunication market, such as cable firms, were found to explicitly avoid investing in deprived areas, leading to accusations of telecommunications red lining (Petersen, 1997).

There is evidence of an absence or restricted private sector provision across a range of sectors. Carley et al (2001) examine how retail and transport trends have undermined local centres leading to derelict precincts and boarded-up shops, which dispirit the local community, stigmatise the area and become the focus of anti-social behaviour. However, they also stress that problems of retail decline extend beyond deprived areas to many local and district centres. Speak and Graham (2000) found evidence of private sector firms across the four sectors they studied (retail shopping, energy, financial services, and telecommunications) physically withdrawing from the case study neighbourhoods, with large service companies targeting more affluent users.

Studies of the withdrawal of private sector services from deprived areas have particularly focused upon two sectors: financial services and food retail activity. Concern about the withdrawal of financial services from deprived neighbourhoods in the UK grew with the major financial sector restructuring of the early 1990s as well as a result of the experiences of the US (Leyshon and Thrift, 1995). Sinclair's (2001) survey on financial exclusion concluded that services are poorer in deprived neighbourhoods and this negative impact is exacerbated by limited mobility and poverty among residents. Speak and Graham (2000) found that few residents had bank accounts and those that did, had very few useable services, which had implications for insurance and self-affordable credit. In the deprived neighbourhoods studied by Speak and Graham, alongside the complete withdrawal of bank branches, there was evidence of increased difficulty for residents in gaining access to mainstream financial services (such as insurance, mortgages, pensions & bank loans) and a greater reliance on the post offices. Residents in deprived neighbourhoods were also refused such financial services because of their insecure employment and history of debt. In both case study areas a virtual redlining of areas for household insurance was apparent, although councils did offer household contents insurance services for its local authority tenants. Mumford and Power (2003) also provide evidence for the loss of banks from certain deprived neighbourhoods, but notably this was highly variable between neighbourhoods even within their restricted study area.

Awareness of the apparent worsening of access to food retail provision in certain poor neighbourhoods of British cities became apparent largely as a result of the era of intense food superstore development on edge-of-town sites in the late 1980s and early 1990s (Wrigley, 2002). Such developments led to the closure of many smaller food retailers as well as a shift to lower quality and

more restricted provision for those that survived. The resulting reduction in access to healthy and affordable food led to the identification of 'food deserts' in more deprived areas, with particular concern over the impact of this upon the diet and health of residents in these areas (Wrigley et al. 2003). Whilst the tightening up of planning regulation in the 1990s has significantly changed the development practices of the large retailers and led them to return to some existing urban areas, there remains evidence that residents in deprived areas often have accessibility only to a limited quality and range of goods, for which they have to pay higher prices (Speak and Graham, 2000). A study in 1998 by the Citizens Organisation Foundation found prices were 25 per cent higher in poorer areas for 20 branded items even from the same supermarket chain in the same town (Piahl, 1998). Studies in Glasgow (Cummins and Macintyre, 2002) and Northern Ireland (Strugnell et al, 2003) also revealed important spatial differences related to food price and availability within urban areas, with those on lower incomes and without cars needing to shop locally and hence suffering from restricted access to food items in terms of range, quality and price.

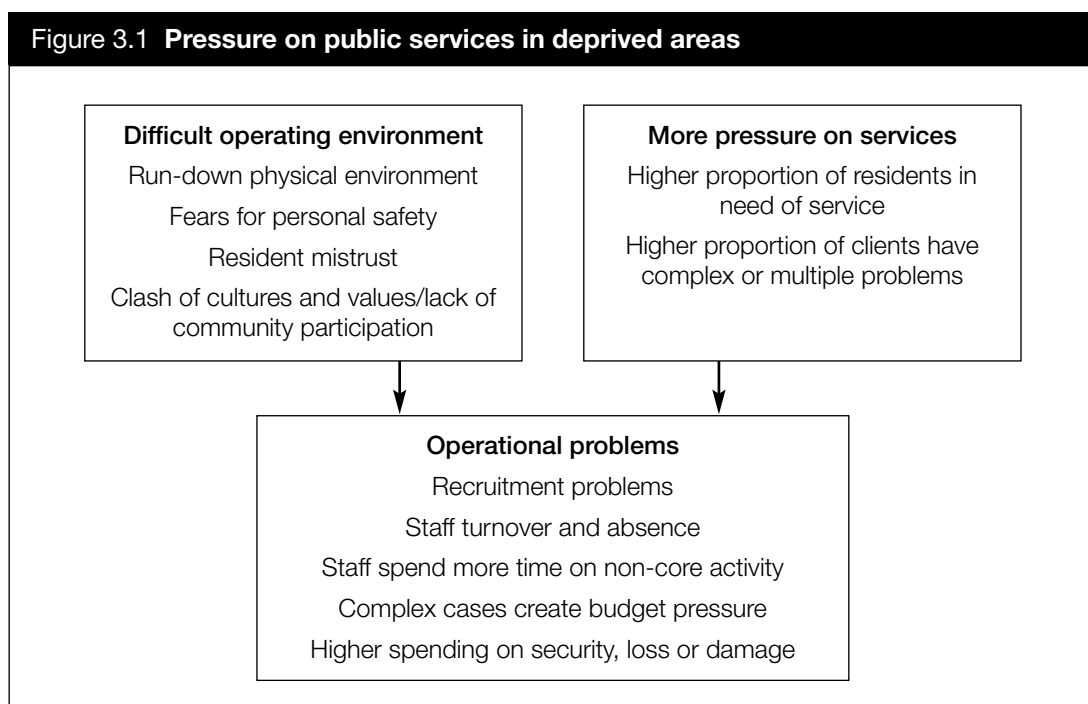
The withdrawal of private sector services from deprived areas has created business opportunities which have attracted some businesses to move back into these areas. The existence of 'unmet local demand' or 'under-served markets' in low income inner-city areas has been most apparent in the US, and interest in the possibilities of using such markets as a basis for stimulating corporate private capital to reinvest in such areas has been advanced by the work of Porter (1995, 1997) (see 4.4.3). Private investment into deprived areas has focused primarily within the retail sector, particularly grocery chains, but also chemists, clothing retailers and leisure services, and in some cases, banks. Such investments have involved local or regional retail chains as well as high profile global corporations, such as GAP and Starbucks, which have sought to harness the substantial purchasing power of dense and heavily populated urban areas, despite low average incomes. This strategy often involves catering for the distinct needs of inner city consumers with products reflecting the particular ethnic mix of a neighbourhood. The most quoted examples of this inner-city reinvestment is that of the Magic Johnson theatre complexes which have been successfully developed in low-income inner city areas in Los Angeles, Atlanta and New York, and the Pathmark grocery store chain which has pursued a strategy of using relatively low cost sites in inner-city areas to develop a product mix customised to the particularities of inner-city consumers (Porter, 1997; BIC, 2002; Cobb, 2001).

In the UK context there are a number of examples of the involvement of private sector companies in regeneration schemes, the best known being the investment of Tesco in Seacroft (Leeds) and of Sainsbury's in Castle Vale (Birmingham) (BIC, 2002). Whilst the potential for promoting business investment in underserved markets has been recognised and is being actively promoted in the UK (BIC, 2002), there is, to date, no published evidence as to the economic impacts of such investments, especially in the longer term. Concerns also remain as to whether markets within deprived neighbourhoods in UK inner city areas offer the same potential market attractions as within the US, given that levels of private sector disinvestment are rarely as extreme.

3.2.2.3 Levels of Public Sector Services and Investment

Neighbourhood effects related to the often poor quality of public sector services within deprived neighbourhoods reflects both the characteristics of the population living within the area as well as the existence of a more difficult operating environment. In deprived areas, a higher proportion of residents need to utilise public sector services, whilst in many cases these residents have complex and multiple problems. This places considerable pressure on the capacities of public services to meet these needs. These pressures are further exacerbated by the difficult operating environment within such areas resulting from a low quality physical environment, fears over personal safety and low levels of trust and differing values. Together these two types of effects create operational problems, particularly related to the difficulties of recruiting and retaining good staff whilst operating under additional budgetary constraints. Jencks and Mayer (1990) term this an ‘institutional model’ of neighbourhood effects.

These issues are well summarised by Lupton (2003) drawing upon the results of her study of 12 deprived neighbourhoods (Figure 3.1). Evidence for the poor quality and overstretched nature of public sector services in deprived areas is also provided by a range of other studies. In a study of attitudes to public services in deprived areas Duffy (2000) points to the underfunded and poor quality of services. Dean and Hastings (2000) in their study of regeneration of housing estates observe that the speed and frequency of public sector services is worse in many deprived neighbourhoods, particularly with regard to repair and maintenance services and regeneration works such as landscaping, refuse and cleansing. Mumford and Power (2003) also stress the problems of public sector services in many key areas including the quality of the environment, particularly with regard to rubbish collection and street cleaning, as well as transport, training and childcare services.



Source: Lupton (2003); p.106

With regard to economic development in deprived areas, these neighbourhood effects related to public service provision have a number of important dimensions. First, lower quality public service provision and its inability to meet the considerable local needs contribute to the stigmatisation of deprived neighbourhoods and their run-down physical appearance. This reduces their attractiveness as residential and business locations. Second, the quality of public service provision has a direct bearing on the ability of residents to gain and retain employment whether this is with respect to educational and health provision, or in terms of the availability and quality of transport and childcare services. Third, the effectiveness of services directly related to employment and economic development (eg employment services, skills development, careers advice, small business support services, etc.) suffer similar pressures which can reduce their effectiveness. For example Speak (2000:35) in her research in a deprived area of Newcastle notes a trend towards a concentration of employment services in city centre locations 'leaving some neighbourhoods without any direct link to up-to-date information about job vacancies. Finally, the difficulties of the operating environment and the quality of staff resources can mean that deprived areas can struggle to compete for public sector resources available to support local economic development compared to better resourced areas, and to spend such funds effectively.

3.3 Neighbourhood Effects and their Implications for Policy Development

Overall, studies conclude that individual neighbourhood effects are fairly marginal in comparison to broader macroeconomic processes in the creation and maintenance of concentrations of deprivation. Jargowsky's (1997) US study demonstrated that economic upswings in the national economy had positive effects for poor neighbourhoods. In the UK, the work of Turok and Edge (1999) and Morris (1995) emphasise the importance of national macroeconomic conditions to understanding the problems of spatial inequality. However, it is also clear that many deprived neighbourhoods have a long history of deprivation which suggests that changes in the macroeconomic cycle often leave the problems of these areas largely untouched, reinforcing the need to understand the importance of compositional and area effects at the local level.

Arguments that the problems of disadvantaged neighbourhoods are the result of broader economic problems have led many commentators to doubt the efficacy of area based policies. Townsend (1979) famously argued that area based policies in themselves cannot solve the problems of poor areas because the pattern of inequality within them is set nationally. More recently, in summarising findings from recent research work on social exclusion in UK cities, Boddy and Parkinson (2004) observe that in seeking to address disadvantage what matters is not where people live, but their individual characteristics and household circumstances. Such arguments stress the importance of main government programmes and universal benefits which support the poor and the socially excluded wherever they live rather than area targeted welfare provision. Boddy and Parkinson (2004: 429) conclude: 'The broader case for area-based initiatives on the grounds that reducing spatially concentrated disadvantage will, in itself, serve to reduce deprivation and social

exclusion at the level of individuals and households is also, on this basis, ill conceived’.

Yet conversely, most commentators recognise that the problems of concentrated deprivation cannot simply be tackled by macro level policies; area policies have a role, but there needs to be greater clarity over what such policies can achieve vis-à-vis wider processes of economic change and patterns of social inequality (Kleinman, 1998; Lupton, 2003; Lupton and Turnbull, 2003). Ultimately the choice is not between a situation where there are no neighbourhood effects – that is compositional effects and sorting mechanisms are responsible for all neighbourhood differences – or that strong neighbourhood effects determine life courses within deprived area via the production of cultures segregated from the mainstream. Rather what must be recognised are the incremental effects of the neighbourhood context, different within different neighbourhoods, upon individuals and families in a manner that shapes, but does not determine, their subjective opportunity structures and life-courses. As Buck (2001:2275) concludes, neighbourhood effects ‘will have additional positive or negative effects on life chances throughout the life-course’. From this perspective he goes on to argue that neighbourhood effects in deprived areas can be seen in terms of a ‘capital acquisition framework’ whereby there are persistent and accumulating area effects on various types of capital (human, social, cultural, financial) that influence life-chances, both through the acquisition of negative attributes and the failure to attain positive ones.

Speak and Graham (2000) similarly stress the importance of neighbourhood effects in compounding other factors of disadvantage and contributing to vicious circles (see also chapter 4). With regard to private sector services, they argue that exclusion from such services does not occur in isolation and that exclusion from a number of services has a compound effect on the everyday life of those living in poorer neighbourhoods. They demonstrate how a degree of exclusion from telephones, banks and insurance, conspire to make getting and keeping a job, or being self-employed, more difficult. Whilst limited access to these services was not decisive in decisions as to whether to enter formal employment, they were an issue in deciding whether employment was beneficial to them; what Shuttleworth et al (2003) refer to as ‘subjective opportunity structures’. Understanding the importance of neighbourhood effects in terms of how they compound other factors of disadvantage and help produce ‘opportunity structures’ for residents of deprived neighbourhoods suggests that policy development needs to focus upon the importance of tackling problems within deprived areas in an integrated and simultaneous manner, through the complementary development of mainstream programmes and bottom-up neighbourhood policies. This point is discussed further in the next chapter (see 4.4).

CHAPTER 4

Spirals of Decline

In analysing processes of change pertaining to deprived neighbourhoods, it is common to describe how such neighbourhoods enter into a spiral of decline (SEU, 2000; Lupton and Power, 2001; Mumford and Power, 2003; Bright, 2003;). Within such 'vicious' downward spirals, a range of factors relating to the housing market, the environment, labour market access, public sector provision, crime and anti-social behaviour and local social capital interact with each other in a negative process of cumulative causation to produce increased concentration of deprivation within particular neighbourhoods.

Despite considerable evidence that such spirals of decline exist, and convincing narratives of how such processes unfold, there has been little attempt to model this process more formally. This is a result of the highly complex nature of such interactions and the problems of identifying causal relationships, the local specificity apparent in each case and its complex relationship to the wider sub-region, and the limited availability and quality of data at the neighbourhood level. Better understanding of how spirals of decline occur in practice has potentially important implications for policy development. Such an approach would focus on the dynamic processes creating spatially focused deprivation, rather than the status of the area per se, whilst also drawing attention to the direction and speed of such processes (Skifter-Anderson, 2003). Such understanding could enable the better identification of interventions that can arrest or reverse decline, or indeed stop neighbourhoods entering spirals of decline in the first place. Similarly, better understanding of occasions whereby deprived neighbourhoods have revived and entered a 'virtuous circle' of growth can also provide valuable insights into processes of change at the neighbourhood level.

4.1 Economic Causes and Triggers for Neighbourhood Decline

The root causes of neighbourhood decline in the UK are primarily the result of three interrelated processes that are strongly driven by processes of economic change (Lupton, 2003). First economic restructuring and the decline of traditional sectors (coal, shipbuilding, ports) and manufacturing has led to spatially concentrated loss of employment, particularly of full-time male jobs, and a shift towards service sector employment. Second, sectoral change has widened inequalities, particularly through the polarisation evident within growing service sector employment between low paid routine service functions and higher paid knowledge based jobs. As a result earnings levels have become more differentiated. Third, population loss has occurred in many neighbourhoods as people have moved in search of work whilst longer term

urban-rural shifts have also witnessed the ongoing movement out of cities, particularly by the more skilled (Moore and Begg, 2004; Champion and Fisher, 2004). Such population movements are related not only to the availability of employment, but also to the search for a better quality of life, particularly in terms of housing, schooling and safety.

The impact of these broader national level processes upon particular neighbourhoods has varied depending on their characteristics and the wider local and regional context in which they are embedded. The majority of deprived neighbourhoods have, since their creation, been low income areas, providing housing for semi-skilled and low skilled industrial workers. However, others have previously enjoyed greater levels of prosperity (eg coastal resorts, certain inner city areas). Differences of this type are clearly important to understanding the nature in which general processes have combined with local specificities to initiate and intensify spirals of decline.

Within the operation of these long term causes, particular events are often important in triggering a marked acceleration in decline. Economically, the closure of a major employer has a dramatic effect in terms of employment loss, reduced local income and loss of skills, as well as the associated negative multiplier effect upon local suppliers and services. Such impacts are particularly traumatic where one or two large employers dominate, and closure results in the rapid disappearance of the economic heart of the local economy (eg Hudson and Sadler, 1983). Furthermore such major closures are not only important economically, but also symbolically, marking for many the end of an era and providing evidence of the lack of a viable future (see 5.3.3.2). Major plant closures thus often represent a 'tipping-point' which triggers other processes of population loss and widening inequality within the local area. Non-economic events can likewise trigger decline, for example urban redevelopments that provide new housing opportunities outside of the area, civil disturbances and lawlessness, or a rapid change in the ethnic and racial composition of an area.

4.2 Spirals of Economic Decline within Deprived Neighbourhoods

There has been little academic work done focusing specifically on the role of economic factors within spirals of decline in deprived neighbourhoods. What published work does exist tends to focus on a particular element within the overall cycle. The housing literature is most fully developed in this respect, although 'vicious circles' identified here often pay limited attention to economic factors. However, there is also work which focuses on the role of labour markets, the provision of private sector services and the role of social capital.

4.2.1 HOUSING MARKETS

Processes of neighbourhood decay with a focus upon private sector housing, are presented by Skifter-Anderson (2003) on the basis of US experiences. He highlights the interaction between the composition of residents in the

neighbourhood, the economic conditions of the properties, and the physical condition of buildings and the neighbourhood as a whole (Figures 1a & 1b). These three factors change simultaneously through mutually reinforcing mechanisms. With lower-income residents moving into an area, demand for higher rental properties decreases which makes it less profitable to invest in maintenance and improvements. As a result the physical condition of buildings decline and certain dwellings become obsolete reducing the attractiveness of the area. At a certain point when a large proportion of the resident population have social problems, economic losses occur via losses in rental incomes (via non-payment) and increased periods of vacancy (due to higher turnover of residents). Wear and tear on the properties also increases as residents take less care of the dwellings. Of decisive importance to this process are perceptions from potential residents concerning the trajectory of a particular neighbourhood. Within private sector housing, the long term nature of housing investment means that householders are highly sensitive to image and expectations about future neighbourhood conditions (eg schools, property prices, crime) when choosing neighbourhoods (Ellen, 2000). Thus, once negative perceptions of a neighbourhood are in place, these become self-reinforcing and difficult to reverse.

From an economic perspective, models of this kind emphasise the importance of private sector investment into housing either for owner occupiers or for rent. Loss of investor confidence, which can occur for a variety of real and perceived reasons, leads to reduced maintenance and investment as profits and land values fall. These factors also explain processes of gentrification in certain deprived neighbourhoods. Here low property prices provide a basis for profitable investment where there also exists a particular type of housing stock and rising expectations for the future of a neighbourhood (Smith et al, 1989).

Analysis of the interaction between economic processes and the operation of the housing market also draws out the key relationships between income inequality, urban segregation and social exclusion. As Cheshire et al (2003) demonstrate, 'the existence of locationally fixed amenities in urban housing markets (including the socio-economic composition of the neighbourhood itself), and the fact that such attributes of a house are both normal goods and inelastic in supply, as the distribution of incomes becomes more unequal, social segregation will tend to become more intense' (Cheshire et al, 2003: 101). Access to locationally fixed amenities (schools, parks, etc.), which are often purely positional goods, appears therefore to depend on a household's position within the distribution of income within the urban area, rather than absolute income. This analysis points to the importance of income distribution as a driver of residential segregation and social exclusion. Certainly national trends suggest increasing levels of social segregation between working and workless people over recent decades (Dorling and Ressa, 2003). Central here is how spatial labour markets behave within a wider regulatory regime, and through sorting processes within the housing market produce labour market outcomes which create particular patterns and intensities of spatial segregation in urban areas. The emphasis here is on wider processes of economic change which create segregation and exclusion and which determine the distribution of household incomes and employability.

Within the UK context, many deprived areas are characterised by a high proportion of local authority or social housing stock, thus significantly influencing the operation of private sector markets and introducing different sets of factors that contribute to processes of decline. This marks a major difference to the operation of US housing markets and hence limits the applicability of US models of neighbourhood decline to the UK context where the criteria and processes for the allocation of public sector housing become an important sorting mechanism (Brennan et al 2000). As concentrations of particular groups most in housing need develop (eg single parents, difficult to house families, refugees, asylum seekers), and incomes fall due to a high reliance on benefits and difficulties in competing for jobs, social problems become more evident. A falling area reputation and population loss leads to an increased outward movement by those in employment, whilst in-movers are restricted to those with least choice (ie normally those outside of employment), thus reinforcing the vicious circle.

Critical here is the falling proportion of those both in employment and in better paid employment, which further reduces neighbourhood linkages into local labour markets. For example, Power (1996) charts out the negative 'letting spiral' whereby reduced rental income leads to greater disrespect and neglect, a consequent growing stigma and the resulting exodus of more able families. Power (2000:8) argues that 'the larger and longer running the area problems, the stronger the cumulative impact becomes, leading to the flight of those most able to go and the gradual loss of control resulting from chronic instability'. Cheshire et al (2003) similarly provide evidence that a person living in a deprived neighbourhood who improves their employability and enters employment, has an increased probability of moving out of the area; a syndrome of 'get on and get out'. However, as MacLennan (2000) emphasises, the types of residents that move out of deprived areas and the reasons why they move can vary significantly between neighbourhoods. Hence care needs to be taken in identifying the causal and reinforcing mechanisms operating in different places and to avoid imposing a 'top-down hypothesis about change on individual neighbourhoods' (MacLennan, 2000:17).

Figure 4a The process of succession and decay

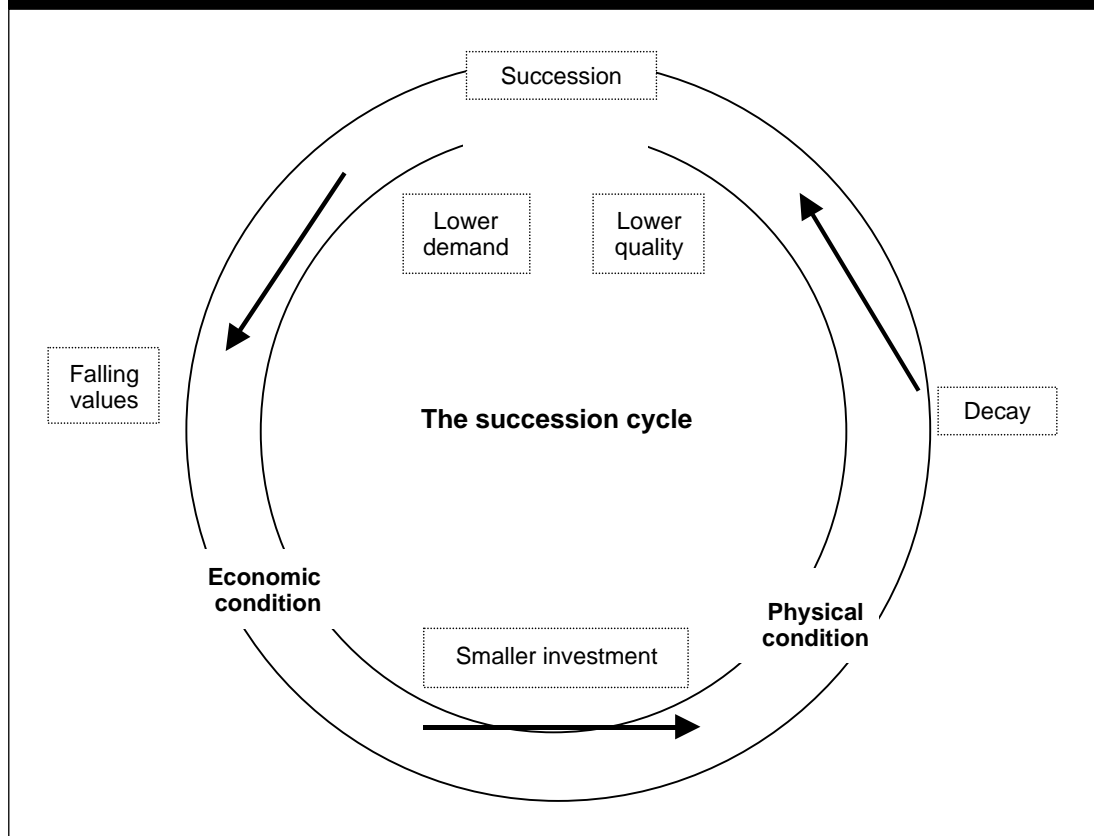
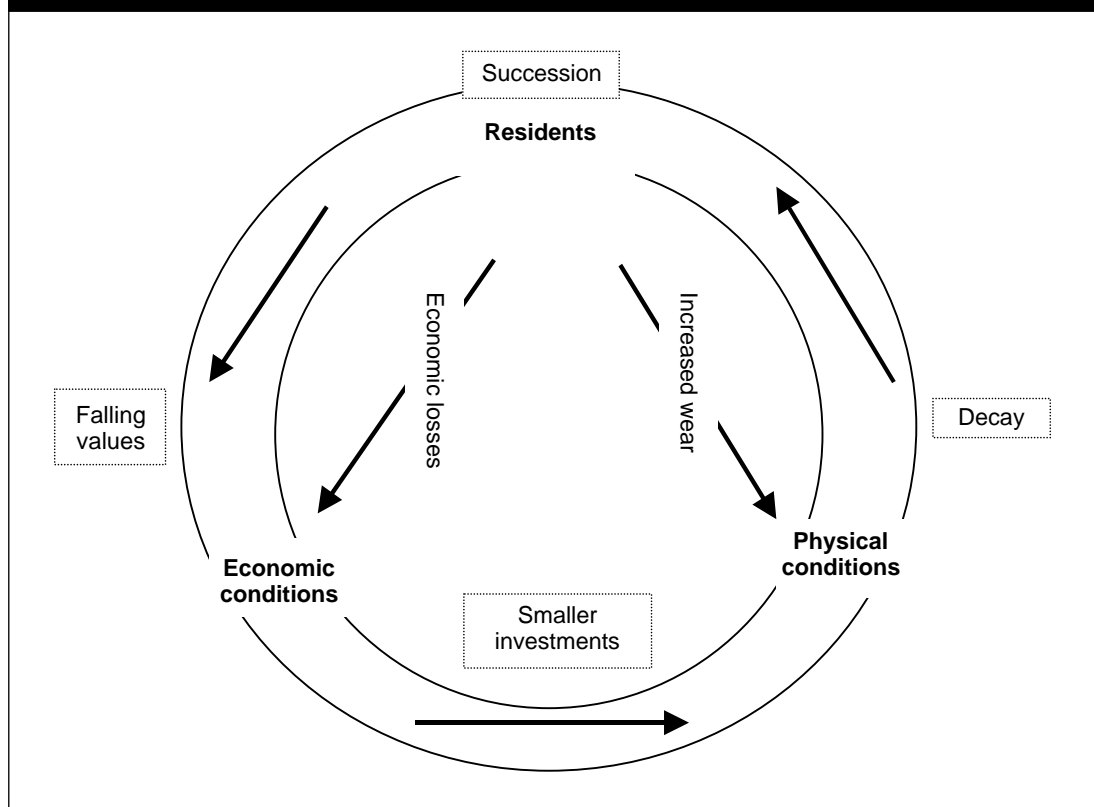


Figure 4b The final succession and decay process

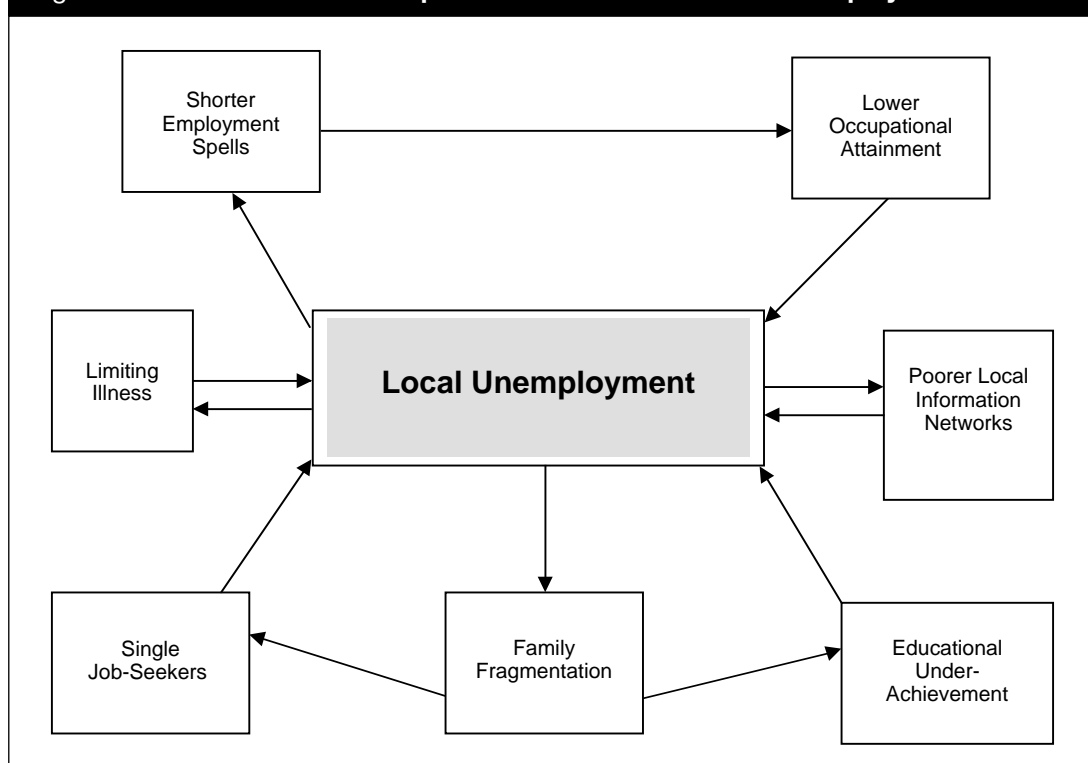


Source: Skifter-Anderson 2003; 63

4.2.2 LABOUR MARKETS

In terms of unemployment, the cycles which reinforce persistent worklessness are particularly evident at the individual and household level, but are compounded via the operation of the housing market, by the failure to address discrimination by employers, and by poor access to job information (Kitson et al, 2000). Gordon (2003) similarly argues that concentrations of unemployment are principally the result of person-related factors and differences in population mix. In terms of understanding their persistence in particular areas he identifies two key factors. First, in certain areas there are recurring patterns of job loss, often sectorally rooted, which continue to affect particular regions and neighbourhoods. Second, some kind of 'hysteresis' effect is evident, whereby past experience of unemployment actively promotes concentration within an area. With regard to the latter point, there appears to be good evidence for spatial hysteresis effects which have increased the concentration of unemployment in some of the most deprived areas within London in the 1981-91 period (Buck and Gordon, 2004).

A number of interrelated processes may contribute to this effect. First, a lack of effective equilibrating processes (ie via migration and commuting) between areas of differential employment reinforces existing concentrations. Second, those with a history of a lack of employment and job loss who are concentrated in particular neighbourhoods are more vulnerable to further unemployment. Third, spatial externalities in the housing market leads to a residential sorting process as previously discussed (Cheshire et al (2003). Fourth, spatial externalities in the labour market may operate such that residents of areas with fewer employed residents lose out in the competition for jobs due to factors such as address discrimination, demotivation from job search or poorer access to job information. The second and the fourth of these factors are particularly important in terms of understanding the significance of localised factors as these illustrate that the chances of an individual gaining or holding a job are directly affected by their past experiences of unemployment and those of their neighbours.

Figure 4c Causal links in the reproduction of concentrated unemployment

Source: Gordon (2003), p.77

Overall, the geography of concentrated unemployment only partially reflects that of job loss and job growth. Gordon (2003) identifies a series of vicious circles that link local unemployment to local social outcomes, acting to further reduce the employment prospects of residents in the short and longer term (Figure 4c). Five aspects appear particularly important within this cycle: access to job information; short-term jobs creating interrupted work histories; health deterioration; family fragmentation, notably the impact of lone parenthood; and educational underachievement. Taken together, these largely *social* forces tend to reproduce spatial concentrations of unemployment, even if the original reason for high unemployment was in fact something quite different.

4.2.3 PRIVATE SECTOR SERVICES

Spirals of decline have also been identified with respect to the withdrawal of private sector services from deprived neighbourhoods. Speak and Graham (2000) identify a negative cycle whereby the nature of the local environment, low levels of demand and active discrimination become mutually reinforcing to lead to the further reduction of private sector activity and investment (see 3.2.2.2). Furthermore, low levels of private sector services make a neighbourhood less attractive to live in, thus further destabilising communities.

The relative unattractiveness of the local environment, in terms of its physical characteristics (quality and design of buildings), the degradation of the environment (in terms of litter, graffiti, vandalism) and the additional problems and costs that arise from operating in an area with higher levels of criminal activity, contribute to declining levels of business activity. For retail activity in

particular, the appearance and nature of the local environment is a critical factor that often plays a key role in their withdrawal from deprived neighbourhoods (Carley et al, 2001). Crime, and the threat of crime, are especially damaging here, in terms of the threat to personal safety discouraging local shop use, increased costs through crime prevention and dealing with criminal activity, as well as a high level of security measures creating an unsightly and off-putting environment (SEU, 1999).

Low and declining levels of demand lead to a fall in the level of service provision and reduced levels of competition, often resulting in poorer quality, higher cost services. Speak and Graham (2000) in their study of the withdrawal of private sector services from disadvantaged neighbourhoods, across four key private sector services – retail shopping, energy, financial services, and telecommunications – in two deprived neighbourhoods located in Liverpool and Newcastle, found impacts of a lack of competition in terms of price, as well as poorer service availability and quality. For retailing, falling and low demand and the lack of local competition, leading to overpricing and poor goods and service provision were identified as two of the key reasons in undermining the viability of small independent stores operating in deprived neighbourhoods (SEU, 1999).

4.2.4 SOCIAL CAPITAL

At the centre of Putnam's (2000) highly influential work on social capital is the thesis that declining levels of associational activity and public participation have led to a reduction in the stock of social capital resulting in the weakened fabric of social, community and family life. This argument is often seen to be particularly pertinent to deprived neighbourhoods, where the decline of civic engagement, restricted social networks, and reduced levels of shared values and a sense of belonging, is often readily apparent. Thus the SEU (2000) argues that reduced social capital is a 'key factor' in the decline of deprived neighbourhoods and that the presence of social capital is vital in building social stability and community self-help within such areas. However, the wide ranging nature of the definition of social capital, plus the considerable problems of measuring it, have meant that there has been little systematic attempt to model the decline of stocks of social capital within deprived neighbourhoods (Conscise, 2003).

A number of studies do emphasise how change in the resident population influences the extent and strengths of social ties and networks. Existing residents within deprived neighbourhoods have sets of institutional and social ties with often high levels of bonding social capital built up through interaction over time and through shared norms. In contrast, incoming populations are often more transient with fewer local networks and little commitment to the neighbourhood (Lupton, 2003). Many new residents moving into deprived neighbourhoods view this as a temporary arrangement and hence make little or no effort to invest in developing local ties and networks. Such populations are consequently less likely to take care of the communal environment, whilst norms and accepted behaviours and the ability for the community to organise, are likely to weaken (Sampson, 1999; Power, 1996 & 1997). Thus the process of population succession leads not only to increased fragmentation between the

elements of the resident population, but also contributes to the weakening of the existing stocks of certain forms of local social capital.

4.3 Arresting and Reversing Decline

Many of the studies that describe spirals of decline within deprived neighbourhoods draw attention to the operation of wider processes and the need for policy responses at that level. Processes such as economic restructuring, labour market change, and income inequality affect all neighbourhoods, but it is the intensity of impacts and their mutual interaction with the specificities of particular places that creates neighbourhood effects and leads to spatially concentrated decline. Thus Cheshire et al (2003) highlight the importance of income inequality in driving processes of urban segregation, and emphasise that policy should focus on wider processes influencing income inequality (eg distribution of earnings, shifts in demand, incidence of unemployment and labour market exclusion), which can be most readily influenced by national level policy. Whilst they recognise that spatial segregation itself does influence the process through the operation of area effects, they argue that these are of relatively minor importance and more difficult to influence via policy.

Whilst the processes producing decline may be generalised, they are realised within specific local contexts reflecting the particular nature of a neighbourhood and the wider local/regional economy in which it is embedded. Bright (2003: 4) argues that 'since each neighbourhood is different, no single substantive combination of programs will work in all neighbourhoods. The substantive aspects of revitalisation must be tailored to each area'. A focus on the economic dimension of spirals of decline does bring to the fore the importance of certain elements and the need to deal with them in an integrated manner that is informed by an understanding of the particularities of any given locality.

4.3.1 FIXING AND ATTRACTING POPULATION

The need for clarity as to which sections of the population are moving out of deprived areas, and why, is central to developing policies that seek to address the interface between economic and housing market change. As MacLennan (2000) argues, without clear understanding of local processes and conditions it is possible to confuse the problems and the solutions. Thus he argues that if those leaving an area are predominantly workless households, this suggests the importance of employment-led responses. However, if outward movement is due to the complete absence of work this might suggest the abandonment of an area. If those in employment are moving out the reasons for this (eg to attain a bigger house, a change of tenure, better schools, etc.) need to be understood and addressed accordingly. The complexity of this relationship in any given locality suggests the importance of clear analysis of local conditions, and the importance of developing locally sensitive policies rather than top-down solutions based upon generalised assumptions concerning the nature of local change.

Certainly one key feature of the economic decline of deprived neighbourhoods is the process of 'get on and get out', whereby those that are the most able, leave. Paradoxically, policies that may be effective in improving employability and access to jobs of those living within a deprived area can actually create selective mobility. This can even lead to deterioration in the unemployment rate of current neighbourhood residents, as Cheshire et al. (2003) demonstrate with regard to a City Challenge scheme in Harlesden, West London. Analysis of this type points up the difficulties of focusing policy only on developing the skills of individuals within deprived areas. Policies that build up local communal resources and networks are important as these will be retained even after selective out-migration occurs. This links into the need to support the retention and development of social capital, and what is sometimes referred to as community capital, within deprived neighbourhoods. This involves the development of local institutions and networks within the neighbourhood, and between neighbourhood based organisations and other institutions (CONSCISE, 2003; Hibbitt et al, 2001; Temkin and Rohe, 1998).

Awareness of the central role of selective mobility also emphasises the need for greater policy attention regarding how to retain/attract residents to less desirable urban areas. Important factors here include reductions in unemployment and crime, the availability of suitable housing and the quality of schools and other amenities. However, this also forms part of a wider agenda concerning how to make urban living more attractive in general, as a means of reversing the long term urban exodus, particularly of better off households (Champion and Fisher, 2004). To date most policies that have sought to develop more socially mixed and integrated neighbourhoods have done so via physical planning (for example the 'pepper-potting' of social housing within redeveloped areas) (Atkinson and Kintrea, 2000), by improving the general quality of the environment through a range of regeneration initiatives, and seeking to encourage social integration and community cohesion. In the latter case the development of local social capital remains a clear policy priority (SEU, 2000; Home Office, 2001), although Amin (2002) remains doubtful as to how effectively socially marginalised peoples can be drawn into local networks and public spaces, and the extent to which shared values, networks, and a sense of belonging can be developed within mixed ethnic neighbourhoods. In attracting individuals, Meen and Andrew (2004) argue, there is potential for the greater use of fiscal incentives, pointing to the recent abolition of Stamp Duty on property transactions of less than £150,000 in designated disadvantaged areas, as a rare example of this type or approach. However, ultimately they remain sceptical about the ability of policy to fundamentally change population location patterns, other than perhaps with regard to attracting in young, relatively high-income smaller households into inner city areas.

4.3.2 TACKLING LOCALISED WORKLESSNESS

Gordon (2003), on the basis of his analysis of why localised concentrations of unemployment persist and intensify (see 4.2.2), argues that shortfalls in demand at national and regional levels play a fundamental role in the development of concentrated and persistent unemployment in particular areas. He argues that as concentrations do not arise as a direct result of localised failures of demand, the targeted injection of jobs into particular local areas, as

advanced by Webster (2000), is not an appropriate response. Targeting job creation at the areas of unemployment concentration has few advantages over a more regional approach, as rates of leakage out of the local area are extremely high. Furthermore, such an approach distracts attention from the forms of intervention required to make disadvantaged local residents effective competitors for jobs either inside or outside of the areas.

Instead, Gordon (2003) argues that concentrations of unemployment have become structural in character and can only be removed by a combination of supply-side measures targeted at all the links in local processes that reproduce them, and sustained full-employment in the relevant region. Such a perspective stresses the importance of a strong spatial perspective on labour market behaviour which explicitly recognises the interconnectedness of submarkets via geographical and occupational mobility. In particular, Gordon (2003) emphasises the importance of focusing upon adjustment processes and how they operate within particular periods of employment growth and decline and particular spatial contexts. The competitive disadvantage of local residents of deprived neighbourhoods within the labour market is the result of previous experiences of unemployment compounded by various social forces (eg educational achievement, discrimination, family fragmentation, etc) that reproduces localised concentrations, and it is these factors that need to be addressed in an integrated and comprehensive manner within such areas.

4.3.3 RETAINING AND EXPANDING PRIVATE SECTOR SERVICES

The problems caused by deprived areas gaining a poor reputation are clearly central to the issue of retaining and attracting private investment. Once an area has become stigmatised, whether for real or perceived reasons, area stigma is an important factor shaping private sector investment decisions, which are often highly cautious. Attempts to reverse negative perceptions tend to focus upon actions that improve the physical appearance of an area, seeking to remove boarded up properties, improve greenspaces and remove litter and abandoned cars, and those that seek to reduce levels of criminality and anti-social behaviour. Such approaches can be highly effective in upgrading the physical appearance of an area and reducing criminal activity. However, a number of pieces of research stress the importance of a greater emphasis upon the improvement of 'place-image' throughout neighbourhood renewal programmes in recognition of the exclusionary effects for residents of living in a stigmatised area (Cattell and Evans, 1999; Dean and Hastings, 2000; Hastings and Dean, 2003; Clark, 2003). This research also emphasises that once attained, negative images are difficult to shed, even when a neighbourhood is undergoing significant positive change.

In seeking to retain retail provision within regeneration areas, Carley et al (2001) emphasise that workable solutions must be tailored to local opportunities and are likely to be highly diverse. However, clear attention needs to be paid to the retail market place as to what is possible within the overall framework of the wider local and sub-regional retail market place, as well as resident involvement in identifying needs and aspirations. Public sector investment to support the development of local shopping centres needs to

focus upon reinforcing the market potential of the locality and on long-lasting benefits rather than subsidising marginal businesses.

Where private sector provision has been withdrawn from deprived neighbourhoods, Speak and Graham (2000) conclude that area regeneration has a role to play in negotiating better deals for residents. This could include negotiating lower insurance premiums to counter redlining (when companies refuse to deal with households from specific neighbourhoods) or negotiate with banks to reopen branches, install cash point machines or support community reinvestment schemes such as credit unions, LETs and food co-operatives. They argue for a combination of top-down and bottom-up initiatives to tackle service exclusion including national regulatory responses, alternative community provision, persuading major service providers to reinvest to over abandoned areas, and changing regeneration paradigms to tackle 'compound' service exclusion seriously and holistically. They also observe the lack of community self-help initiatives in response to falling private sector provision, suggesting the importance of the need for support to the community in terms of developing alternative community provision.

The notion that private sector services, particularly retail provision, can be a means for creating a virtuous circle within deprived neighbourhoods has become increasingly influential in recent years. These ideas are rooted within the work of Porter (1995; 1997) who has emphasised the potentially competitive advantages of inner city areas in the US given their physical location close to large populations who are underserved in many types of retailing, financial services and personal services (see 3.2.3.4). The notion that inner city areas have strong potential for private sector investment with high investment returns and that market mechanisms have the power to transform low income has become highly influential within US local economic development policy (Blakely and Bradshaw, 2002). The model of 'underserved markets' in many deprived areas, especially in the retail sector, suggests that by providing a competitive offering, outlets can increase local sales, local jobs and consumer demand in a virtuous circle. Thus retail spending, for example, is retained in the local area, with further benefits arising from increased consumer traffic, including better levels of security and increased disposable income (BIC, 2002). The retail industry is seen as particularly important here both because it is a large employer and often serves as an entry point into the labour market for first-time workers.

A number of UK policy initiatives are seeking to draw upon the ideas stressing to employers the economic benefits of activity within deprived neighbourhoods in terms of their workforces, markets and competitiveness (BIC, 2002). Whilst US experiences demonstrate that attracting in private sector reinvestment is possible and can play an important role in the overall regeneration of neglected inner city areas, as Blakely and Bradshaw (2002) observe, they also show how such processes can result in the gentrifying of an area displacing former residents to more deprived areas.

4.3.4 IDENTIFYING AREAS ON THE BRINK OF DECLINE

An emphasis upon the trajectories of development moves away from an exclusive focus upon the status of deprived areas and draws attention to areas that are entering into decline, or indeed those that have successfully reversed vicious spirals of decline. Despite the potential importance of this wider remit for policy development, there is little academic work to date on areas on the brink of economic decline, although some recent work has brought a renewed focus on the suburbs and how their longer term sustainability can be retained (Gwilliam et al 1998; Bourne et al 2002; Halfpenny et al, 2004). There is clearly an opportunity for more work on this issue. What is apparent from existing work on spirals of decline is that a wide range of indicators would need to be considered in seeking to identify areas on the brink of decline. Assembling and using such indicators would not only require close monitoring of neighbourhood change across a wide spectrum of neighbourhoods, crucially it would also require close understanding of the dynamics of change within any given local context if the changes in indicators were to be accurately interpreted.

CHAPTER 5

Case Study Findings

Building upon existing understanding of the economies of deprived neighbourhoods and their relationship with wider local economies, this chapter presents the principal findings of the analysis that was conducted as part of this study of five case study local economies. More detailed data and discussion of each case study is included within Part Two of this report.

5.1 Case Study Areas

The methodology for this review included the analysis of five case study local economies (see 1.3). These local economies were defined at the local authority district scale and were selected to cover a range of deprived area types within different regional contexts. As well as examining economic change at the district scale, the case studies focused upon the deprived neighbourhoods (defined at ward level) within them, including a more detailed examination of specific neighbourhoods to provide greater insights into processes of change and the particularities of neighbourhoods.

In selecting the five case study areas the following criteria were taken into account. First, to obtain a good geographical spread across the English regions, including local economies in northern and southern regions. Second, to select from a range of different types of deprived areas, including: inner city areas; coastal towns; and coalfield areas. Third, to exclude the six case study areas used in the SEU's 'Jobs and Enterprise in Deprived Areas' study (ODPM, 2004). And fourth, where appropriate, to build upon previous case study work which mapped local economic development policies as part of a related review. Following the creation of a shortlist of 10 possible case study areas, five were selected: Oldham (in the North West region), Sunderland (in the North East region), Mansfield (in the East Midlands region), Newham (in London), and Brighton and Hove (in the South East region).

Within each of these local economies, deprived areas were identified on the basis of the Index of Multiple Deprivation based on ward level data. Whilst the limitations of these data were recognised, particularly given that deprived areas often cut across ward boundaries and within ward differences can obscure very localised concentrations, ward level data were used due to the lack of suitable alternatives with regard to data on economic change. Although some problems were encountered due to changes in ward-level boundaries, generally ward-level data permitted the identification of change over time. Furthermore these were the data being used to develop neighbourhood strategies at the local level. For these reasons, the neighbourhood level Output Area data that was under development at the time of the research was not used. In terms of data sources, particular use was made of Census data. Although not as current as other data,

they are more reliable and suffer less from problems of under-estimation, and accurately demonstrate relativities between areas (Webster, 2000). Census data also enable analysis of longer terms trends that are important to the concerns of this study. As Brennan, Rhodes and Tyler (2000: 137) observe: 'we also know from other evidence that deprived urban neighbourhoods stay that way over the longer term of two or three decades'.

Particular deprived areas were selected for more in-depth analysis within each case study area in order to highlight the specificities of deprived neighbourhoods and differences between them in terms of their economic contexts (eg a city centre fringe location compared to outer housing estates; presence or absence of industrial activity, etc.) and their dynamics of change (eg the role of the housing market, the nature and extent of deprivation). The deprived neighbourhoods selected comprised: for Mansfield: Northfield and West Titchfield; Sunderland: Hendon and East End; Oldham: Hathershaw and Fitton Hill; Brighton and Hove: East Brighton specifically Saunders Park and North Moulsecoomb, and Newham: Beckton and Green Street. These areas did not generally conform to ward boundaries and therefore present problems in terms of presenting comparable statistical data. However, where appropriate the ward-level data have been used to convey the central economic characteristics of these neighbourhoods.

The analysis of each of the case study local economies comprised three elements: (a) the collection and review of locally produced economic development related reports; (b) analysis of government databases relating to the structure, evolution and key characteristics of the local economy; (c) interviews with a number of 'key actors' within each case study local economy to gain insights into processes, trends and governance arrangements at the local level and the extent and nature of the integration of deprived neighbourhoods and their particular characteristics. The selection of 'key actors' was specific to each case study, but included: those with responsibility for economic development at the sub-regional and local levels (within local authorities and sub-regional units); members of Local Strategic Partnerships; representatives of private sector organisations (eg Business in the Community; Confederation of British Industry (CBI); Chambers of Commerce); representatives of key public sector organisations; managers of Jobcentre Plus; neighbourhood based professionals/activists; and other key local stakeholders as appropriate (eg from sectoral organisations, academia).

5.2 Economic Features of Local Economies and their Deprived Neighbourhoods

The case study areas reveal considerable similarities in their economic characteristics and recent evolution, as well as important differences that are reflected in the nature and scale of deprivation within the most deprived areas. In terms of levels of relative deprivation, the multiple index of deprivation for the case studies range significantly from Newham which was ranked as the 5th worst local authority district (LAD) within England in 2000 (11th in 2004) to Brighton and Hove which was ranked 95th in 2000 (83rd in 2004) (Table 5.1). Overall in terms of this index, Brighton and Hove is the least deprived LAD, with

deprivation focused particularly within two wards. In contrast, Newham is the most deprived, with all wards ranked poorly and acute deprivation evident in certain wards. Sunderland, ranked as the 18th most deprived LAD nationally in 2000 (22nd in 2004), is similarly characterised by widespread relative deprivation throughout a large number of wards. In contrast Mansfield and Oldham (ranked 37th and 38th respectively in 2000 and 33rd and 43rd in 2004) provide a more mixed picture, with for example Oldham having three wards ranked in the most deprived 100 wards, yet at the same time possessing a large number of relatively affluent wards.

5.2.1 POPULATION CHARACTERISTICS

In terms of basic population characteristics there are important variations in ethnicity and age structure. Newham is by far the most ethnically diverse local economy with 60.6 per cent of the area non-white, with large Asian and Black populations (Table 5.2). Oldham has a significant non-white population (13.9 per cent), which is predominantly Asian and strongly concentrated in particular wards where it is, in two cases, the majority population. In contrast Sunderland and Mansfield have predominantly white populations (98.1 per cent and 98.3 per cent) whilst Brighton has a small, mixed non-white population (5.7 per cent).

In terms of population change there is a strong contrast between the older industrial areas which have experienced population decline (Sunderland –2.8 per cent and Mansfield –2.2 per cent) or stagnation (Oldham 0.3 per cent), and those areas integrated into the wider South East labour market which have seen strong above average population growth (8.2 per cent in Brighton and 15.0 per cent in Newham) (Table 5.3). In those areas with stagnant and falling populations there is a notable decline in the population below the age of 24, whilst in Newham and Brighton this younger element of the population is growing strongly. As Table 5.4 illustrates the population structure of Newham is significantly younger than the other case study areas, with higher than average proportions of the population in the 0-15 and 16-24 age groups, and a significantly lower population in the 65+ age group. Oldham also has above average levels in the 0-15 age group, and as with Newham, this reflects the younger age structure of the resident ethnic populations.

Table 5.1 Multiple index of deprivation scores and rankings of case study areas in 2002 and 2004 (in brackets)

	SCORE	DISTRICT RANK	WARD RANK
Brighton & Hove <i>worst ward</i>	28.46 (25.68) 53.87	95 (83)	439
Mansfield <i>worst ward</i>	38.94 (32.53) 65.78	37 (33)	151
Newham <i>worst ward</i>	56.18 (40.41) 75.06	5 (11)	35
Oldham <i>worst ward</i>	38.87 (30.73) 70.83	38 (43)	75
Sunderland <i>worst ward</i>	42.58 (34.24) 71.99	18 (22)	55

Source: Index of Multiple Deprivation 2000 and 2004, ODPM

Table 5.2 Ethnic composition of the population, 2001

Area	% of total population according to ethnic group					
	White	Non-white	Mixed	Asian	Black	Chinese
Sunderland	98.2	1.8	0.4	1.0	0.1	0.3
Oldham	86.1	13.9	1.1	11.9	0.6	0.3
Mansfield	98.4	1.6	0.6	0.6	0.2	0.2
Newham	39.4	60.6	3.4	32.5	21.6	3.1
Brighton and Hove	94.3	5.7	1.9	1.8	0.8	1.2
England	90.9	9.1	1.3	4.6	2.3	0.9

Source: Census, 2001

Population changes within the deprived neighbourhoods within the case study local economies are complex and need careful interpretation. In a number of deprived neighbourhoods strong population losses well above the local average are evident. For example, in Sunderland in the wards of Grindon, Southwick and Thorney Close, population losses ranged from –11.4 to –15.8 per cent between 1991-2001, compared to an average loss of –2.9 per cent. However, deprived neighbourhoods often have significant inflows of population, particularly of young single parents, refugees, asylum seekers and students, as the result of public housing policies and the availability of cheap rented housing. Such inflows sometimes compensate for outflows, or indeed produce positive growth in aggregate terms. Furthermore as the incoming population is often quite young, age structures in certain deprived neighbourhoods can have growing populations in the 0-15 and 16-24 age groups. Ethnic composition is also a key variable, as ethnic minority populations tend to be younger with higher rates of population growth.

Analysis of changes in the numbers and structure of the resident population of deprived neighbourhoods needs to be undertaken with care and knowledge of local conditions. This is particularly important with regard to inward and

outward flows of population as the result of the operation of sorting mechanisms in the local housing market and the ethnic composition of the population. In terms of the economic impact of such change, particular sensitivity is required to the scale of flows and the selective nature of outflows (often the employed and better skilled element of the population) and of inflows (often students, young single parents, refugees, asylum seekers, and benefit claimants). Overall, key characteristics of deprived areas are both the presence of a relatively long term, ageing, stable but declining population, and a younger, growing and more transient population. Certain deprived areas may be characterised predominantly by one or other of these elements, whilst many others simultaneously contain elements of both.

Table 5.3 Population change by age group, 1991-2001

Area	Total	Percentage change 1991-2001			
		0-15	16-24	24-64	65+
Sunderland	-2.8	-10.1	-10.3	-0.1	5.0
Oldham	0.3	2.9	-17.0	5.3	-4.9
Mansfield	-2.2	-3.5	-21.4	1.0	4.9
Newham	15.0	23.2	19.0	17.3	-15.8
Brighton and Hove	8.2	12.2	12.8	16.0	-16.0
England	4.4	4.9	-10.7	8.3	3.4

Source: Census, 1991 and 2001

Table 5.4 Population age structures, 2001

Area	Total pop.	Age group (%)				
		0-15	16-24	25-64	65+	All
Sunderland	280807	20.0	12.1	52.3	15.6	100.0
Oldham	217273	23.0	10.7	52.1	14.3	100.0
Mansfield	98181	20.6	10.2	52.9	16.4	100.0
Newham	243891	26.2	14.7	50.2	8.9	100.0
Brighton and Hove	247817	16.6	12.9	54.1	16.3	100.0
England	49138831	20.2	10.9	53.0	15.9	100.0

Source: Census, 2001

5.2.2 SECTORAL CHANGE

Table 5.5 Sectors experiencing employment decline, 1997 – 2002

BRIGHTON	MANSFIELD	NEWHAM	OLDHAM	SUNDERLAND
Insurance & pensions	Public administration	Auxiliary financial intermediation	Manufacture of machinery & equipment	Land transport
-1245 (-34.4%)	-799 (-43.7%)	-1686 (-91.0%)	-1595 (-54.4%)	-1559 (-53.0%)
Post & telecommunications	Manufacture of textiles	Insurance and pensions	Manufacture of textiles	Other business activities
-1131 (-33.5%)	-789 (-73.9%)	-1105 (-100.0%)	-1189 (-46.4%)	-1139 (-14.0%)
Sewage & refuse disposal	Education	Real estate activities	Manufacture of medical instruments	Clothing
-715 (-93.8%)	-741 (-22.4%)	-619 (-39.2%)	-1081 (-70.7%)	-1074 (-55.0%)
Collection, purification & distribution of water	Manufacture of furniture	Post & telecommunications	Manufacture of other transport equipment	Manufacture of TVs & communications equipment
-442 (-57.1%)	-561 (-62.3%)	-480 (-22.6%)	-785 (-42.1%)	-1030 (-62.9%)
Manufacture of electrical machinery	Manufacture of fabricated metal products	Computing and related activities	Manufacture of other non-metallic products	Manufacture of electrical machinery
-374 (-62.6%)	-418 (-42.9%)	-455 (-41.7%)	-744 (-89.7%)	-993 (-52.8%)

Source: Annual Business Inquiry

Table 5.6 Sectors experiencing employment growth 1997 – 2002

BRIGHTON	MANSFIELD	NEWHAM	OLDHAM	SUNDERLAND
Other business activities 3542 (28.9%)	Retail trade 2118 (44.3%)	Other business activity 2541 (55.7%)	Retail trade 2335 (28.8%)	Education 2907 (36.1%)
Retail trade 3217 (27.7%)	Wholesale trade 862 (70.0%)	Retail trade 1679 (25.3%)	Other business activity 1973 (61.6%)	Post & telecom-munications 2224 (141.7%)
Financial intermediation 3045 (53.2%)	Other business activities 564 (23.0%)	Construction 1518 (71.4%)	Health and social work 1521 (25.1%)	Retail trade 2068 (19.1%)
Hotels and restaurants 2590 (31.3%)	Hotels and restaurants 519 (25.7%)	Education 1437 (28.3%)	Wholesale trade 1431 (34.0%)	Manufacture of motor vehicles 1975 (31.9%)
Wholesale trade 2277 (95.2%)	Construction 378 (17.5%)	Public administration 898 (26.5%)	Public administration 1160 (44.7%)	Financial intermediation 1928 (148.4%)

Source: Annual Business Inquiry

The local economies provide clear evidence of broader processes of sectoral change (see 2.2.1). Thus in the case of the five case study areas, the ongoing consequences of the long-term decline of mining and manufacturing over the last thirty years or so are central to understanding their economic problems. More specifically, the closures of particular large sites of employment (eg shipyards and collieries in Sunderland; the dockyards and a large sugar refinery in Newham; collieries in Mansfield; and two large manufacturing plants in East Brighton) are important not only economically, but also symbolically, with a sense of not just the workers but the particular neighbourhoods closely associated to the sites becoming ‘redundant’.

The decline of manufacturing continues to lie at the heart of job losses being experienced by many deprived areas, as several of the case study areas illustrate. As shown in Table 5.5, the five largest declining sectors in Oldham over the 1997-2002 period were all manufacturing sectors; in fact, manufacturing shed a third of its employment (over 8,000 jobs) within the Oldham economy over this five year period. Similarly, in both Mansfield and Sunderland, three out of the five largest declining sectors were in manufacturing, with around 2,000 manufacturing jobs being lost from each of the local economies over the five year period. Even though historically manufacturing has been less important to the Brighton economy, a third of the local economy’s manufacturing employment (nearly 2,000 jobs) were lost over the five year period. Newham differs from the other case study areas in that it has been the business and financial service sectors which have experienced the biggest falls in the number of jobs in the borough over the 1997-2002 period rather than the remaining manufacturing sectors. This is surprising given the growth of these sectors in London as a whole, but is an indication of the preference of employers for other locations within the City.

Despite the continued decline of these key sectors, all five of the case study areas have achieved net job growth over the 1997-2002 period, although the rate of growth varies widely from 15.9 per cent in the case of Brighton and Hove to 2.8 per cent and 2.9 per cent in the case of Newham and Oldham respectively. Table 5.6 ranks the top five sectors in each case study area by the number of jobs created. This highlights the importance of both the retail and wholesale trade sectors on the one hand, and public service employment on the other to job growth within these local economies. 'Other business activities' also features as an important source of new jobs in four of the five local economies. With the exception of Sunderland, where nearly two thousand additional jobs were created in motor vehicle manufacture, there are no manufacturing sectors within the top five sectors, although construction is a key growth sector in both Mansfield and Newham.

Major changes are therefore occurring to the economic context of the case study deprived areas. Apart from some residual manufacturing employment, the bulk of employment opportunities are to be found within various service sectors and especially within consumer and public services rather than in business service sectors. This provides evidences of the widening inequalities within urban labour markets, particularly through the growing polarisation evident between relatively more skilled and better paid work (in the 'knowledge based sectors') on the one hand and those who service the urban population and perform low skill and low paid work (such as in retailing and the hotel and restaurant sector) on the other. As shown in Table 5.7, (which is based on Census data relating to the employment of the resident population) employment growth in the distribution and catering sector (including wholesale, retail, hotel and restaurants) has been above the national average in four of the five case study areas, as has the growth of employment in public services.

Table 5.7 Change in the distribution of employment by sector, 1991-2001

Sector	Difference between 1991 and 2001 percentage					
	England	Sunderland	Oldham	Mansfield	Newham	Brighton & Hove
Agriculture, fishing, mining	-2.8	-1.3	-2.3	1.2	-1.0	-0.2
Manufacturing	-3.1	-2.3	-7.1	-0.6	-6.2	-2.3
Energy & water	-1.1	-2.0	-0.3	-11.1	-0.8	-0.3
Construction	-0.5	-1.1	-0.8	1.1	-2.0	-1.6
Distribution and catering	0.9	1.1	2.4	2.1	4.2	-0.9
Transport	0.6	1.9	0.8	1.5	-2.4	-0.4
Banking, finance etc	5.5	3.9	4.5	3.3	6.9	4.2
Public admin, health, educ. & personal & social services	1.2	0.7	3.7	2.8	2.5	2.4
Other	-0.7	-0.9	-0.8	-0.3	-1.3	-0.9

(Data for 1991 is based on a 10% sample)

Source: Census 1991 and 2001

5.2.3 LABOUR MARKETS

The labour markets of deprived areas share a number of common characteristics comprising relatively high levels of unemployment and worklessness, low rates of economic activity and employment, and low levels of household income and wages. However, the balance between these factors demonstrates notable variations.

5.2.3.1 Unemployment

The official rate of unemployment within the local economies remains above the national average, although this varies between areas relatively close to the national average of 3.3 per cent (in 2001) (eg Brighton 3.6 per cent and Oldham 3.7 per cent), and Newham which at 6.7 per cent is twice the national average. The percentage of long term unemployed in Oldham, Mansfield and Newham is broadly in line with the national average (30.3 per cent), although Brighton and Sunderland have notably higher rates at 35.1 per cent and 36.7 per cent respectively (Table 5.8). There is also a significant proportion of unemployed people who have never worked within these local economies and this is often associated with particular social groups (eg the large female Asian population in Newham). Within each of these local economies, unemployment rates in the most deprived wards are commonly twice the local average, typically between 7.0-8.5 per cent. The percentage of long term unemployment is again significantly higher in deprived wards, commonly by around 5 per cent, with highest rates for individual local economies ranging from 34.7 per cent of unemployed in Newham to 44.3 per cent in Sunderland.

Table 5.8 Unemployment rates and the proportion of long-term unemployed (16-74 year olds), 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Sunderland	4.8	36.7
Oldham	3.7	28.4
Mansfield	4.4	29.2
Newham	6.7	30.9
Brighton and Hove	3.6	35.1
England	3.3	30.3

Source: Census, 2001

Where there are ethnic minority populations, there are significant variations in unemployment rates between ethnic groups. For example, in Newham, 2004 claimant count data show that amongst young people (aged 16-24), the highest unemployment rates are amongst those of black Caribbean (14 per cent) and black Other (14 per cent) origins, compared to much lower proportions of those of Indian (5.5 per cent) and Asian Other (6.0 per cent) origins. Similarly, for those aged 25-74, the highest proportions of unemployed are to be found amongst the black African (11.4 per cent) and black Other (10.6 per cent) groups. The lowest proportions of unemployed are to be found amongst the white British (4.4 per cent), white Irish (4.6 per cent) and Indian (5.3 per cent) groups.

Overall, current unemployment rates within case study areas are significantly lower than the high rates characteristic of the 1980s and early 1990s (Table 5.9). Rates of unemployment have also fallen significantly within deprived wards. Such falls are in line with overall changes in the local economy, and in many cases, somewhat stronger. For example, in Sunderland unemployment in the wards with highest unemployment fell at rates of between 3.3 per cent and 4.7 per cent between 1991-2001, compared to an average of 2.3 per cent for Sunderland as whole. Significantly, all of the case study local economies contain wards where levels of unemployment are as low as 2.0 per cent, with the exception of Newham where unemployment rates are uniformly high. These higher levels of employment, which reflect national trends since the late 1990s, have resulted in a tightening in the labour market and shortages of certain types of employees even within less prosperous local economies.

Table 5.9 Trends in unemployment rates (16-74 year olds), 1991-2001

Area	1991		2001		Difference in U rate 1991-2001
	U rate (%)	LAD England Difference	U rate (%)	LAD England Difference	
Sunderland	9.2	3.1	4.8	1.5	-4.4
Oldham	7.3	1.2	3.7	0.4	-3.6
Mansfield	6.9	0.8	4.4	1.1	-2.5
Newham	12.3	6.2	6.7	3.4	-5.6
Brighton and Hove	7.2	1.1	3.6	0.3	-3.5
England	6.1		3.3		-2.8

Source: Census, 1991 and 2001

Unemployment is defined as the proportion of unemployed aged 16-74 in relation to the population aged 16-74.

Despite the relatively low levels of official unemployment, there is evidence that these figures disguise much ongoing 'hidden' unemployment. This is particularly the case with regard to neighbourhoods within older industrial areas where there is a high proportion claiming other benefits such as invalidity benefit. In the case of Mansfield for example, Beatty at al (2002) calculate that the official rate of unemployment of 4.5 per cent in 2002 rises dramatically to 15.7 per cent under alternative calculations, with the high rate of Incapacity Benefit claimants the principal factor in this rise. This analysis suggests that claims for the existence of near full-employment are misplaced and within many less prosperous local economies, a lack of labour demand remains a central issue.

5.2.3.2 Economic activity rates

Economic activity rates within the case study areas remain below the national average (67 per cent), significantly so in the cases of Newham (58.7 per cent), Sunderland (60.6 per cent) and Mansfield (62.3 per cent), with the exception of Brighton and Hove. Again with the exception of Brighton and Hove, these rates have also witnessed above average decline between 1991 and 2001, a trend that is particularly strong in the case of Oldham and Newham (Table 5.10). Within

the most deprived wards economic activity rates are significantly lower, on average between 5-10 per cent below local averages, with all areas containing wards where economic activity rates are as low as 51-56 per cent.

Table 5.10 Economic activity rates of 16-74 year old population, 1991 and 2001

Area	Economic activity rate		Difference in rates 1991-2001
	1991	2001	
Sunderland	61.5	60.6	-0.9
Oldham	67.8	64.9	-2.9
Mansfield	63.1	62.3	-0.8
Newham	63.6	58.7	-4.9
Brighton & Hove	67.2	67.8	0.6
England	67.2	66.9	-0.3

Source: Census, 1991 and 2001

A similar picture is presented in Table 5.11 which shows trends in employment rates from 1997-98 until 2001-02. The average employment rate over this period has been particularly low in the case of Newham, with just over half of the working age population (16-74 years) in employment. At the other extreme, the average rate in Brighton and Hove is similar to the national average.

Table 5.11 Employment rates in the case study areas

	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	Average
Brighton and Hove	71.8%	75.5%	76.0%	71.6%	75.3%	74.0%
Mansfield	68.2%	71.3%	69.6%	68.4%	71.6%	69.8%
Newham	58.4%	55.8%	55.5%	51.1%	53.9%	54.9%
Oldham	69.4%	72.1%	72.2%	68.9%	72.7%	71.1%
Sunderland	65.1%	60.7%	62.9%	65.9%	66.1%	64.1%
England	73.5%	74.3%	74.6%	74.8%	75.0%	74.4%

Source: DWP

Whilst all the case study local economies display relatively high levels of labour market inactivity, the reasons for this vary significantly (Table 5.12). For example in the case of Newham and Brighton there are relatively high percentages of students (22 per cent compared to a national average of 14.1 per cent). In the older industrial economies the permanently sick and disabled account for a high proportion (26.3 per cent in Sunderland, 21.9 per cent in Oldham and 22.9 per cent in Mansfield compared to a national average of 16.0 per cent). In the case of Newham, the principal reason for inactivity is that of looking after the home and family (25.1 per cent compared to a national average of 19.7 per cent). This factor is also important within neighbourhoods in Oldham which have a large ethnic population, illustrating the importance of differences in cultural practices associated with different ethnic groups. For example in

Newham, economic inactivity is especially high among women and people of Bangladeshi and Pakistani origin, particularly those whose first language is not English.

Table 5.12 Reasons for inactivity (16-74), 2001

	Retired %	Student %	Looking after home/ family %	Permanently sick/ disabled %	Other %	Total inactive %
Sunderland	36.4	11.8	17.0	26.3	8.6	100.0
Oldham	37.1	11.2	18.9	21.9	10.9	100.0
Mansfield	41.0	7.9	19.8	22.9	8.5	100.0
Newham	18.8	22.7	25.1	16.5	16.9	100.0
Brighton & Hove	35.3	22.0	17.7	16.3	8.6	100.0
England	40.9	14.1	19.7	16.0	9.4	100.0

Source: Census, 2001

In comparison to other neighbourhoods within the case study areas, the reasons for inactivity within deprived neighbourhoods show important variations. However, overall they indicate that within deprived areas retirement and being a student is relatively less important, whilst being permanently sick and disabled and looking after home and family is relatively more important. Claimants of Incapacity Benefit are well above average (5.3 per cent) in all the case study areas with the exception of Brighton and Hove, reaching levels nearly double the national average in Sunderland (10.3 per cent) and Mansfield (9.0 per cent). (Table 5.13). As nationally, rates rise with age, with the highest rates in the 50-59 year age group. High rates of claimants of Incapacity Benefit as a percentage of their economically active populations are a particular feature of deprived neighbourhoods within the case study areas. Commonly these are up to 5 per cent above local averages, with absolute rates approaching 15 per cent in certain wards within Sunderland and Mansfield. These high rates are strongly associated with former workers from heavy manual employment such as mining, shipbuilding and dock work.

Table 5.13 Claimants of Incapacity Benefit, 2001

Area	Claimants. as % of 16-74 pop	% according to age group				
		<30	30-39	40-49	50-59	60+
Sunderland	10.3	9.6	15.3	22.2	36.7	16.2
Oldham	8.2	9.7	16.6	22.7	36.4	14.6
Mansfield	9.0	8.8	16.1	22.0	36.8	16.3
Newham	7.8	11.2	21.4	25.4	30.3	11.7
Brighton & Hove	5.8	11.2	23.1	24.9	30.6	10.2
England	5.3	9.8	17.3	22.4	35.8	14.7

Source: Census, 2001

5.2.3.3 Wages and income levels

Although the case studies provide consistent evidence of employment growth, as has been noted, a large proportion of this growth is in low wage and low skill activity. Average weekly pay in the case study local economies is significantly below those of the regions in which they are located (Table 5.14). The one exception here is that of Sunderland where pay is slightly above the regional average, although this reflects the low pay of the North East region as a whole, rather than any particular strength in wage levels. In contrast, within the most highly paid regions of London and the South East, differences to regional levels are most acute, especially in Newham (a striking £156 per week below the London average), but also in Brighton (£65 per week below the average for the South East). Wages and earnings data cannot be broken down to ward level without making it unreliable and unable to pass on to a third party. Therefore it is not possible to comment in detail on levels of earnings in deprived neighbourhood, although given the unskilled/low skill nature of the work that accounts for the vast majority of those in employment in these areas, they do fall below local average rates.

In terms of income from other benefits, rates of claimants for income support are above the national average rising to a high of 16.8 per cent in Newham, with rates of up to 10 percentage points higher in deprived wards (Table 5.15). Claimants of job seekers allowance is also above national average, and is particularly high within Newham and Sunderland (Table 5.16). In deprived wards, rates of claimants rise to up to twice the local average.

Table 5.14 Average weekly and hourly pay according to LAD and region, 2002

Region	Gross weekly pay (£)	Hourly pay – including overtime (£)
North East	394.07	9.97
North West	426.57	10.74
East Midlands	413.92	10.24
London	624.37	16.13
South East	498.63	12.53
England	471.72	11.88
LAD		
Sunderland	397.14	10.09
Oldham	386.40	9.51
Mansfield	363.43	9.05
Newham	468.06	11.86
Brighton and Hove	433.22	11.21
England	471.72	11.88

Source: New Earnings Survey 2002

Table 5.15 Claimants of income support, 2001

Area	IS claimants	Pop 16-74	IS claimants % 16-74 age pop.
Sunderland	27885	206228	13.5
Oldham	17980	152602	11.8
Mansfield	7630	70510	10.8
Newham	28665	170268	16.8
Brighton and Hove	19780	185131	10.7
England	3272796	35532091	9.2

Source: Census, 2001

Table 5.16 Claimants of Job Seekers Allowance, 2001

Area	Total claimants as % of 16-74 pop	Income based claimants as % of 16-74 pop	% of income based claimants according to age group				
			<30	30-39	40-49	50-59	60+
Sunderland	3.7	3.0	15.6	30.3	25.0	17.4	11.7
Oldham	2.7	2.0	16.3	36.3	23.5	15.3	8.5
Mansfield	2.8	2.1	15.1	37.5	21.1	15.4	11.4
Newham	4.3	3.7	9.9	33.3	29.6	18.8	8.7
Brighton & Hove	2.8	2.2	5.7	31.4	31.5	17.5	13.8
England	2.2	1.6	11.7	32.0	25.8	17.5	13.0

Source: Census, 2001

5.2.4 EDUCATION AND SKILLS

With the exception of Brighton and Hove which has a relatively skilled population by national standards, a fundamental economic characteristic of the case study local economies is the relatively low level of education and skills of the workforce (Table 5.17). In the case of the older industrial areas of Sunderland, Oldham and Mansfield, there is a high proportion of the population with no qualifications (37-38 per cent), well above the national average of 28.9 per cent. Similarly at degree level (NVQ levels 4/5) rates in these areas were significantly below the national average of 20 per cent, as low as 10 per cent in Mansfield and slightly higher at 12 per cent in Sunderland, and 12.9 per cent in Oldham. Newham presents a rather more complex picture with above average levels of those with no qualifications as well as for those qualified to degree level or higher (although Newham compares unfavourably at levels 4/5 with Inner London and Greater London). In part this reflects a large student population resident in the area, but also reflects a strong emphasis placed upon achieving educational qualifications within certain ethnic groups, as well as the presence of a small proportion of well qualified refugees and asylum seekers.

Table 5.17 Highest level of (NVQ) qualification, for those aged 16-74, 2001

Area	Pop. 16-74	No quals.	% according to highest NVQ level					Total
			Level 1	Level 2	Level 3	Level 4/5I	Unknown level	
Sunderland	206228	36.9	18.2	18.6	6.8	12.0	7.5	100.0
Oldham	152602	37.7	17.5	17.9	6.1	12.9	7.9	100.0
Mansfield	70510	38.2	19.3	19.1	6.0	10.0	7.5	100.0
Newham	170268	33.6	13.9	16.3	8.9	21.3	6.0	100.0
Brighton and Hove	185131	22.1	13.5	17.8	12.5	28.7	5.4	100.0
England	35532091	28.9	16.6	19.4	8.3	19.9	6.9	100.0

Source: Census, 2001

Within deprived wards the problems of low educational and skill levels are particularly acute. In a number of the worst performing wards in Sunderland, Oldham and Mansfield the proportion with no qualifications is over 50 per cent, whilst those with a degree or higher accounted for 5 per cent or less. In Newham there is less variation between wards as is evident with respect to other indices of deprivation, with all wards having an above average proportion of the population with no qualifications, and similarly a majority of wards having an above average number qualified to degree level or above. Here there is a clear positive relationship between low levels of education and the probability of not working, particularly for women. In Brighton within a relatively highly qualified labour market, there remains a large amount of variation between neighbourhoods. For example the proportion of the population without qualifications reaches 35 per cent in Moulescombe (compared to a LAD average of 22.1) and those with a degree or higher account for only 11.9 per cent of the population (compared to a LAD average of 28.7). However, other neighbourhoods which are classified as relatively deprived appear to perform rather better in terms of the proportions of better qualified (eg East Brighton), largely due to the presence of a significant student population.

5.2.5 ENTREPRENEURSHIP AND BUSINESS START-UPS

There is a very sharp north-south difference between the five case study areas with respect to growth in the numbers of businesses and new business formation rates (Table 5.18). Whilst the stock of businesses in both Brighton and Hove and Newham grew significantly faster than that nationally over the 1994-2003 period, Mansfield performed in line with the national average, whilst Sunderland and Oldham performed significantly worse, experiencing hardly any change in the numbers of businesses within their local economies. In these respects, the trends within the case study areas are largely consistent with regional differences in the growth of the business stock over this period. Business formation rates (as measured by the number of VAT registrations per 10,000 people) have also been higher than the national average rate in Brighton and Hove, although not in Newham. In fact, on this measure the rate of new business formation in Newham is one of the lowest in London, which is an

indication of the relative economic weakness of the borough's local economy. Oldham and Mansfield had similar levels of new business formation and both significantly below the national average rate, and Sunderland has the lowest rate which is less than half of the national rate. However, an important proviso is that using the VAT registration measure underestimates business formation rates in deprived areas more than in other areas since a higher proportion may be very small businesses falling below the VAT threshold, although on the other hand, there is evidence to indicate lower rates of self-employment in deprived communities (Kempson & Mackinnon, 2002).

Table 5.18 Business formation rates in the case study areas

	Net change in business stock 1994 – 2003	Average no. of VAT registrations per 10,000 adult population 1997/98 – 2002/03
Brighton and Hove	22.3%	48.50%
Mansfield	9.9%	24.8%
Newham	19.7%	35.0%
Oldham	-0.2%	28.7%
Sunderland	1.2%	18.2%
England	9.2%	40.7%

Source: Inter Departmental Business Register (IDBR)

5.2.6 INFORMAL ECONOMIC ACTIVITY

Given the problems of obtaining data on the nature and scope of informal economic activities, the case studies can only provide limited insights into this activity. However, the limited evidence assembled from informants confirms the important contribution of informal activity in people 'getting by' in deprived neighbourhoods. This involves individuals and households combining informal economic activity, both paid and unpaid, with income from formal employment and state benefits to create survival strategies based upon low incomes. Thus, for example, in Sunderland and Mansfield there were reports from interviewees working at the neighbourhood scale, of vans coming in early in the morning to take workers to casual employment outside of the neighbourhood. Interviewees also spoke about there being a considerable market in informal cash-in-hand work to provide a range of services such as construction and car repairs, and goods such as alcohol and tobacco. However, as much of this work is characterised by low cost and low quality provision, as well as some trading in illegal goods, the potential for the transfer of such activities into the formal sector remains limited.

There is also evidence of the importance of household and self-help informal work. For example in Newham, as was previously reported, high levels of labour market 'inactivity' are the result of work within the home and family associated with the cultural characteristics of particular ethnic groups.

5.2.7 ROLE OF THE PUBLIC SECTOR

The public sector has a major role within the case study local economies as a source of employment, transfer payments, funds and contracts, as well as an initiator of projects. In terms of employment, the public sector is a major and growing source of employment across all the local economies, principally within the areas of health, education and public administration. The total percentage of employment accounted by these sectors is broadly in line with the national average for Oldham, Mansfield and Newham, and slightly higher in Sunderland and Brighton (Table 5.19). In the latter case, the presence of two large hospitals and two universities ensures an above average importance of employment in these sectors. In contrast, in Mansfield, the lack of any higher education establishment contributes to the below average employment in education. Within deprived neighbourhoods the public sector is particularly important as a source of transfer payments and as a source of semi skilled service employment.

Table 5.19 Percentage of employment in public sector services, 2001

Variables	England	Sunderland	Oldham	Mansfield	Newham	Brighton and Hove
Public administration *	5.7	6.8	5.0	5.3	5.6	4.5
Education*	7.7	7.6	7.5	6.5	7.9	9.8
Health & social work*	10.7	11.8	10.7	12.2	11.1	12.2
Total	24.1	26.2	23.2	24.0	24.6	26.5

* These sectors consist largely, but not exclusively, of public sector employment.
Source: Census 2001

5.3 Relationship of the Local Economy to Wider Spatial Scales

5.3.1 LOCAL-GLOBAL ECONOMIC RELATIONS

The case studies demonstrate that the economic problems which beset deprived local economies are rooted within processes operating at wider sub-regional, regional, national and global scales. Thus the ongoing consequences of long-term manufacturing decline are central to the economic problems of Oldham, Sunderland, Mansfield, Newham and East Brighton. More specifically, problems are rooted within particular sectoral decline relating to coal-mining, shipbuilding, textiles and light manufacturing industry. In all cases such decline can only be understood as part of wider processes of global and national industrial restructuring. Given the particular geography of these industries, sectoral decline necessarily has uneven impacts, with specialist regional, sub-regional, and local economies suffering dramatic losses in jobs and investment.

The competitive basis of the case study local economies is rooted within these wider processes of change. For the northern case study areas of Sunderland, Oldham and Mansfield, the long term structural decline of traditional industries has produced economies with a number of common weaknesses in terms of low levels of productivity, economic activity, income, wages, skills and education. Where job growth has occurred in association with sectoral shifts in the economy, this has often been in predominantly low skilled service jobs which have done little to tackle these structural weaknesses. Such a transition with a resulting long term reliance on state benefits has produced sections of the population who have relatively low expectations and aspirations. Brighton and Hove stands in contrast to this. Here manufacturing accounted for a relatively small proportion of total employment and its consequent decline has had a more limited effect on the wider local economy, whilst service sector growth here has been more diverse and vigorous. In the case of Newham, processes of structural adjustment related to manufacturing and port related activity are more complex, given its location within the growing London economy and the presence of large ethnic minority populations which experience particular problems of labour market exclusion resulting from the high proportion of non-English speakers and racism.

The particular strengths and weaknesses of the case study economies are located within the wider dynamic of the sub-regional and regional economies in which they are located. For Sunderland, Oldham and Mansfield, the decline of core industrial sectors has affected the wider sub-regional economy to produce similar problems. Similarly aspects of economic dynamism relate to features of the wider sub-regional economy. In the case of Oldham this relates to economic growth within the Manchester conurbation, whilst for Mansfield its location in an area with good north-south transport links, has been attractive to sectors such as logistics. In the instance of Sunderland, the ready supply of 'willing', 'reliable' and 'cheap' labour is seen to be one of the competitive advantages of the region, and has been extolled by the City Council to attract inward investors, including a number of call centres.

The economic contexts of both Brighton and Newham are rather different in that they are examples of the persistence of concentrations of deprivation within economically successful regions. For Brighton, its relative economic dynamism is rooted in the growth of the wider South-East, and specifically the London economy, as a provider of tourist and leisure services, new media and cultural industries, and as a residential centre for commuters. Yet this economic growth appears to bypass the areas of concentrated deprivation that exist in East Brighton. In Newham too, despite the labour shortages occurring within the buoyant London labour market as a whole, unemployment and economic inactivity remain stubbornly high in the Borough's most deprived neighbourhoods. The economic role of these neighbourhoods is as reception areas for cheap immigrant labour within a rapidly growing global city, characterised by a very high cost of living. The 2001 Census shows that 17 per cent of Newham's working residents are in personal services and sales jobs (rising to 20 per cent in some of the most deprived wards) compared with 13 per cent in London as a whole, and a further 15 per cent are in 'elementary' (low skilled) occupations (rising to 19 per cent in some wards) compared with 9 per cent in London as a whole. Interestingly, the presence of strong concentrations of ethnic related commercial activities within a diverse and

growing global city also means that some of these neighbourhoods have become attractive to consumers from outside the area who wish to experience their vibrant and distinctive cultural milieu.

5.3.2 ECONOMIC COMPETITIVENESS AND SOCIAL COHESION

The case study local economies can, in many respects, be seen as ‘victims’ of wider processes of change whereby international economic competition produces areas characterised by concentrations of economic and social deprivation. Whilst all case studies provide unequivocal evidence of the link between wider processes of economic restructuring and resulting problems of social deprivation and exclusion, the impacts that concentrated deprivation have upon processes of economic growth remains less clear. As can be seen in the case of Newham and East Brighton, areas of deprivation can exist within wider urban economies that are experiencing strong economic growth and have relatively low levels of unemployment. In these instances economic growth processes appear to largely bypass areas of concentrated deprivation, with such areas receiving limited ‘trickle-down’ benefits.

The extent to which such areas contribute positively to the wider economic growth dynamic remains poorly understood. Neighbourhoods in Newham do act as sites for the reproduction of cheap labour for the dynamic London economy, yet how precisely this contributes to the wider competitiveness of this urban economy is still poorly specified. This is similarly the case with regard to paid informal working within the deprived neighbourhoods of the case studies. The scale of such activity remains largely unknown, but the case studies provide various examples of how deprived areas provide cheap and flexible labour to local industries (eg those from Mansfield working in agricultural processing in Lincolnshire).

In terms of the negative impact of the presence of deprived localities, the most tangible effect relates to the negative consequences in terms of attracting inward investment and new residents. For older industrial areas such as Oldham, Sunderland and Mansfield, which are seeking to redevelop their image as areas of opportunity and growth, negative publicity arising from stories relating to problems of crime, anti-social behaviour and racism, whatever its basis in reality, reinforces negative place images. Such images can be significant given the highly conservative nature of inward investors and their clear preference for greenfield sites and the avoidance of perceived problem areas. Yet there is often little clear evidence for such effects given that inward investors and residents who do wish to locate in these local areas can largely insulate themselves from social problems by locating themselves away from perceived problem areas.

As labour markets within many parts of the country tighten, the potential role of areas with relatively high levels of unemployment becomes increasingly pertinent to employers complaining of local labour market shortages. This situation extends beyond the more prosperous South East, with areas such as Oldham and Mansfield experiencing falling levels of unemployment. In these areas, given stable or falling populations and limited inward migration, limits to the size of the local labour supply could represent a major brake upon

economic revival. However, within local economies experiencing employment growth, pockets of relatively high unemployment comprise individuals who are the least able or willing to compete for jobs, and hence require considerable support if they are to enter into formal employment. Furthermore, even with such support, the jobs that are available to such individuals are predominantly low wage and low skill, thus providing limited incentives in terms of income or career development.

5.3.3 DEPRIVED NEIGHBOURHOODS WITHIN THE LOCAL ECONOMY

5.3.3.1 Deprived neighbourhoods in context

Although the case studies demonstrate certain commonalities in relation to the impacts of broader processes of economic change, they also show how the dominance of certain industrial sectors and their relationships with particular localities produce distinctive local outcomes. Thus, for example, in Mansfield where coal-mining was previously predominant, the complex of social relations and work culture that is associated with such an industry remain central to understanding attitudes towards work within the wider local economy generally, and within deprived areas in particular. In contrast to the relatively stable, largely white population of Mansfield operating within a relatively clearly defined local labour market area, Newham provides a radically different set of population and labour market characteristics. Here the local population is highly ethnically diverse and relatively youthful, whilst the labour market is embedded within the complex wider labour market of London, and is characterised by strong inward and outward flows. These differences between local economies within which deprived neighbourhoods are located are, therefore, of critical importance in specifying the nature of localised economic problems, the most appropriate policy responses, and the best way of delivering these.

These differences also flow through into significant differences between deprived neighbourhoods within the same local economy and into certain neighbourhood effects (see 5.3.3.3). For example in Newham, an area such as Beckton, a redeveloped Docklands area with a high proportion of new housing, a less ethnically diverse population and an incoming commuter population, is very different to the close knit Asian community of an area such as Green Street. In East Brighton, North Moulsecoomb on the outskirts of the city has a relatively stable population of long established families, whilst Saunders Park, closer to the city centre, has a more transient and diverse population.

5.3.3.2 Spatial concentrations of deprivation and spirals of decline

In seeking to understand why concentrations of economic deprivation occur in particular neighbourhoods within local economies, the case studies reveal the importance of the interface between wider economic problems affecting the local economy or broader sub-regional area, and the operation of sorting mechanisms in the housing market. Although neighbourhood decline is often triggered by the closure of large employment sites, the response to a lost or declining economic base within an area interacts with the housing market in a complex manner. The case studies reveal the operation of different sorting mechanisms relating to the operation of residential market mechanisms, as well as public housing allocation policies, sometimes further exacerbated by the

operation of housing renewal programmes seeking to renew other areas of the urban area.

For example in Mansfield, although the whole local economy had been affected by the decline of coal-mining and manufacturing industry, the resulting concentrations of deprivation in particular neighbourhoods reflect a variety of residential sorting mechanisms operating over a number of years. In certain neighbourhoods, falling market values result in properties being bought up for use as low grade rented accommodation, with a subsequent lack of investment by exploitative and often absentee landlords. In others where there is a significant presence of local authority or social housing, a declining reputation for an area leads to falling demand, and the allocation of properties to those with immediate needs (ie young single mothers) or those who are the hardest to house (eg tenants with a history of disruptive behaviour). Such mechanisms produce 'vicious spirals' whereby an iterative process of population loss or change, environmental degradation and service decline makes them progressively less desirable areas to live in, whilst new residential developments elsewhere in the locality attract the most mobile population away. Thus, whilst the causes of deprivation are largely rooted within economic decline and restructuring, the processes creating highly localised deprivation are largely driven by the operation of housing markets.

A key component to this process, and one noted in all the case study areas, is the movement out of declining neighbourhoods by those in employment and with higher levels of skills and education. The loss of this population not only removes wealth from the neighbourhood, but also important local connections to the worlds of work and education, as well as potential role models and contact with more aspirational behaviour. The remaining population becomes more fragmented, often with tensions between the longer term existing population and an incoming younger and sometimes more transient population, drawn in via public housing allocation policies and the search for cheaper rented housing. In certain locations (eg Oldham and Newham) such processes can have an important racial dimension.

The local population also becomes increasingly trapped within low grade housing accommodation for which there is little demand and limited chances of moving out of, given the problems of securing reasonably paid employment. In Brighton and Newham in particular, the massive rises in house prices and widespread shortage of affordable housing and social housing within the wider South East housing market, creates particular problems in terms of limiting the mobility of the least well off. Such a buoyant housing market does create the potential for processes of gentrification, but such processes require particular types of housing stock, and whilst they may physically regenerate an area, they only serve to displace socially excluded communities. It is notable that even when neighbourhoods do enter a spiral of decline there normally remains a section of the population strongly committed to their neighbourhood. However, such conditions also breed apathy, low aspirations and a lack of commitment among other sections of the population, as well as a strong desire to escape among the more motivated and ambitious.

5.3.3.3 Neighbourhood Effects

Across the deprived neighbourhoods in the case study economies it is possible to identify a number of place based neighbourhood effects related to their relative physical isolation, the poor quality of the built environment (ie boarded up rows of houses), levels of environmental pollution and the poor quality and absence of private services, which compound problems of concentrated disadvantage. Thus, in Moulescombe in East Brighton, there is a sense of physical isolation, an unattractive housing stock, and an absence of basic services such as banks and retail outlets. In Hathershaw in Oldham, empty and boarded up Victorian terraced properties and reduced retail service provision have produced an environment in decline over a number of years.

In terms of people based neighbourhood effects, the limited primary data gathering in this respect only provides partial insights. Clearly population groups who are over-represented in deprived neighbourhoods, such as lone parents or particular ethnic groups, suffer particular difficulties with regard to accessing the labour market, which it is difficult to isolate from area based effects. However, it does appear possible to identify the presence of particular attitudes and perceptions towards employment and education within many deprived neighbourhoods in the case study areas. These are commonly characterised by reduced expectations and aspirations emanating from limited experience of employment extending across generations, and an acceptance of the need to 'get by' on the basis of state benefits supplemented by various paid and unpaid informal work. However, it is important to stress that such attitudes and expectations do not pervade all residents of deprived neighbourhoods, nor are they confined only to these areas, but are also evident within the broader local economy. Therefore, within deprived neighbourhoods such prevalent attitudes to work are different by degree rather than kind, reinforced by the material circumstances of their residents and their more restricted social networks.

Within the case study labour markets, there is evidence that concentrations of deprivation contribute further to the barriers of entry to formal employment. First, with respect to the lack of social networks to find jobs; given the strong reliance on informal recruitment methods by local employers, residents within high concentrations of worklessness are less likely to be integrated into such informal recruitment networks. Second, the lack of contact with the world of work both directly and via peers and family often leads to the poor development of interview and work skills. Third, a lack of willingness to travel to work beyond the locality reflects in part spatially restricted social networks and resulting perceptual barriers. However, it also reflects practical problems relating to limited flexibility and high transport cost in relation to low wages, which result from lower levels of car ownership, and the absence in some deprived areas of good, reliable and affordable public transport.

With respect to issues of stigmatisation and discrimination via poor area reputation, whilst it was clear within the case study areas that such stigma exists, it was not possible, given the limitations of the analysis, to find evidence that this translates into active postcode discrimination in terms of employment practices or the provision of financial products. In Newham, a survey of the young unemployed found that 25 per cent thought that employers were put off by the areas in which the unemployed lived, whilst in Sunderland there was

reporting of the negative perspectives of certain employers to residents from certain postcodes. However, there is some evidence that with the tightening of labour markets such effects have reduced, as employers have less scope to exercise such discrimination. Similarly, any attempt to assess the extent, presence and various forms of bonding and bridging social capital within deprived neighbourhoods was beyond the scope of this research. Common proxy measures of the presence of social capital (ie voting turn-out and number of voluntary and community organisations) were not used, given they provide little insight into how social capital is constituted in specific local contexts. However, some notable differences were apparent between neighbourhoods with more transient populations who exhibited less commitment to their neighbourhood, and those with a presence of longer term residents from whom many of the leaders for neighbourhood level initiatives were drawn.

5.4 Levels of Intervention and Governance of Economic Policy

5.4.1 NEIGHBOURHOOD LEVEL

That localised concentrations of economic deprivation in the case study areas generally emerge through this combination of wider economic change and the particularities of local housing conditions, emphasises that the root causes of economic deprivation in most deprived neighbourhoods are to be found operating at broader spatial levels. Although there is economic activity that operates predominantly at the level of the neighbourhood – most notably in terms of work outside formal employment such as mutual aid and paid informal work, as well as formal small scale enterprises providing localised services – this forms only part of the wider local economy in which it is embedded. This is particularly important with regard to the operation of the formal labour market. The majority of the deprived neighbourhoods within the case study areas had very limited formal employment located within the deprived neighbourhoods themselves. What employment was available within the neighbourhoods was restricted to low paid service sector work, and more occasionally low paid manufacturing employment.

For most economic activity it therefore makes little sense to talk of a neighbourhood economy. Even for those activities that do predominantly operate at this level, they are intimately connected to wider economic relationships. The case studies illustrate that even the most localised of labour markets for formal employment operate at a larger scale than that of the neighbourhood, and hence understanding of problems of worklessness affecting these deprived areas needs to be rooted within the working of local, sub-regional and regional labour markets. Thus, although residents of deprived neighbourhoods in all of the case study areas were normally highly localised in their search for work, this still extended beyond the neighbourhood to include nearby town centres (eg Brighton, Mansfield) or other centres of local employment, including ones outside the district (eg Newham). Conversely, where there were employment sites within deprived neighbourhoods (such as manufacturing operations or larger retail outlets), these drew staff from outside

of the neighbourhood, not least because local employers consistently commented upon the considerable problems in recruiting locally due to the lack of suitable motivated and appropriately qualified employees.

5.4.2 NEIGHBOURHOODS AND LOCAL ECONOMIC POLICY

The case studies provide only limited evidence of economic policies operating at the neighbourhood level. In general, neighbourhood level economic policies within the case study areas were not seen as the priority. Instead the preference of local authorities, local strategic partnerships and neighbourhood renewal strategies was predominantly upon 'crime and grime' initiatives, focused upon ameliorating the poor environmental conditions and tackling problems of crime and anti-social behaviour that beset deprived neighbourhoods.

In terms of initiatives supporting small business start-ups, these tended to be organised at the level of the local or sub-regional economy (especially Business Link initiatives), with clear recognition that residents from deprived neighbourhoods often had limited skills, work experience and financial resources with which to enter either self-employment or business start-ups. At the neighbourhood level there were a number of examples of community economic development initiatives in the forms of credit unions, community enterprises and the formalisation of informal economic activities (eg Sunderland). There was important variation between localities in these types of activities, reflecting different local social and political traditions and the work of particular NDCs and other neighbourhood renewal activities. However, overall what was noticeable was the lack of neighbourhood level initiatives promoting enterprise and self-help at either the individual or the community level. In areas where local communities had been consulted over neighbourhood strategies (eg NDCs, Neighbourhood Renewal (NR) areas) it reflected the lack of priority assigned to such issues by the local community.

The current key focus of economic activity in relation to deprived neighbourhoods is in terms of getting residents of deprived neighbourhoods into formal employment within the wider labour market. The case studies reveal a variety of local initiatives that sought to address this objective. First, several initiatives are concerned with improving employability and seeking to better equip local residents to compete for jobs where these are available. This involved development of 'soft skills' (eg presentation, time-keeping, interview preparation), basic skills training, and support for childcare provision. Second, there are schemes that sought to actively link residents of deprived areas to new job opportunities. In a number of instances this involves schemes whereby local employers work with Jobcentre Plus and other local agencies to offer subsidised public transport travel or agreements whereby residents from certain neighbourhoods are guaranteed job interviews. Third, there are schemes that seek to develop skills in areas of employment growth, through agreements with local construction companies (eg in Oldham and Brighton and Hove). Finally, in terms of tackling this problem in the long term, emphasis is being placed upon improved education and raising the aspirations of young people. Central here are attempts to change locally embedded attitudes and motivations towards work and education to create higher expectations related to educational achievement and career development. This involves not only improving basic

school education, but also issues such as family planning to seek to reduce the high levels of teenage pregnancies common in deprived areas, and mentoring and sponsorship programmes that seek to create successful role models for others to emulate.

In all of the above cases such initiatives require co-ordination between the neighbourhood, local and sub-regional levels. Such initiatives appeared to work better when the neighbourhood was being used as the delivery scale for these wider employment policies. Thus, for example, in Mansfield, local community centres within deprived areas were in the process of developing job information points and visits from advisers in association with Jobcentre Plus as part of the development of its outreach role. Initiatives of this kind recognise that given low levels of mobility, the lack of connections with the world of employment and a lack of trust of state institutions, neighbourhood delivery is necessary to contact the so-called 'hard to reach groups' and that policies need to be implemented flexibly to adapt to local conditions.

5.4.3 THE LOCAL AND SUB-REGIONAL ECONOMY

Given that the roots of the economic problems of the deprived neighbourhoods lay within wider economic conditions, the case studies reveal a primary policy focus upon attempting to improve the overall dynamism of the wider local/sub-regional economy. For the deprived neighbourhoods in the case study areas, this approach raises two related issues. The first relates to the overall level of demand for labour to provide employment opportunities for those of working age throughout the local labour market. The second concerns whether residents of deprived neighbourhoods will benefit from any employment and economic growth that does occur within the local or sub-regional economy. This latter point is particularly pertinent given that many deprived neighbourhoods within the case study areas are of longstanding, and have not benefited from previous economic growth.

Recognition of this point has led to some initial attempts within the case study areas to introduce mechanisms which seek to ensure that the benefits of economic growth do flow to deprived neighbourhoods. Examples were evident of attempts to do this in Newham and Mansfield via schemes that give interview preparation training and ensure that participants from deprived neighbourhoods are guaranteed an interview for newly created jobs in larger local developments. For such schemes to be effective they require strong integration between actors at sub-regional/local and neighbourhood levels. Such schemes also need to exercise care in how they discriminate in the labour market, particularly in terms of the justification for favouring residents from a particular deprived neighbourhood over a long term unemployed person who lives in a non-targeted deprived neighbourhood.

Local and sub-regional/regional economic strategies within the case study areas all focus, to a greater or lesser degree, upon the development of a higher skill and higher wage economy. This reflects current government policies that inform the RDAs, and the dominant concern with issues of competitiveness and innovation. The resulting emphasis is therefore upon the creation of higher skill jobs, often located in new growth sites away from deprived areas. These are jobs

that are necessarily difficult to access for the vast majority of poorly qualified residents of deprived areas. In contrast, such strategies often have little or nothing to say about the role of lower paid and less skilled jobs, even though these are the kinds of jobs which are more relevant to the needs of residents of deprived neighbourhoods. The case studies demonstrate that many of the low skill, low paid jobs which are on offer hold little attraction to individuals and communities who have been marginalised from the labour market over a long period of time, and provide few incentives to move off of state benefits even when jobs are available. This suggests more attention needs to be paid to the issue of supply and demand of low and semi-skilled jobs within these local economies.

5.4.4 GOVERNANCE AND DELIVERY ARRANGEMENTS

Tackling the problems of deprived neighbourhoods needs to be clearly linked into wider local, sub-regional and regional economic development programmes. However, the case studies reveal that the current governance arrangements for achieving this are relatively weak and variable in their effectiveness. Whilst there is local variation relating to the role of local institutional arrangements and key local actors, a number of general points can be made about current governance arrangements as evident in the case study areas.

First, regional and sub-regional strategies say little, or indeed nothing, on how they will operate to support the needs of deprived neighbourhoods. Given that these are the key strategic economic development documents, this reveals both a lack of awareness and a failure to think seriously about how regional and sub-regional activities can directly benefit deprived neighbourhoods. The emphasis of economic policy upon issues of competitiveness, innovation and enterprise rather than poverty, social exclusion and mutual aid clearly creates difficulties in terms of integrating the economic renewal of deprived neighbourhoods into the wider regional economic growth agenda.

Second, there is a limited ability of neighbourhood based organisations to communicate their needs upwards, whilst top-down funds do not always reach those most in need. Throughout the case study areas neighbourhood based organisations commented that they felt marginalised and distant from strategy making and decision making. A common complaint from community level organisations is a feeling that their actions are seen as peripheral and undervalued within the wider local economic strategies being pursued by the local and sub-regional authorities. This was particularly notable with respect to NDCs who often felt separated from other development activity within the Borough.

Third, at the local level, LSPs have, in the majority of cases, not evolved a strong economic development agenda in comparison to other areas of activity such as crime and the local environment. Links with other local economic institutions such as Jobcentre Plus and Business Link are often patchy and weakly developed, further limiting the prioritisation and integration of local economic development activity.

Fourth, there appears to be a major weakness in terms of structures at the sub-regional level. Whilst the RDAs and the LSPs are now relatively well established, sub-regional level organisations are more variable in the scope of their activity and their level of institutional development. The weakness of the sub-regional level within the current institutional framework is particularly important with regard to labour market policy, given that local labour markets largely operate at the level above that of the LAD and below that of the region. Thus, for example in Mansfield, although the RDA (East Midlands Development Agency (EMDA)) has developed a sub-regional strategy, the underdeveloped nature of the sub-regional body had meant that its ability to develop and take forward the sub-regional strategy has been limited, at least so far.

In contrast, Sunderland is the one case study where there appears to be a strong sub-regional tier of governance in the form of the five local authorities which make up the Tyne and Wear Partnership (TWP); a spatial area that makes sense in terms of the functioning of labour markets and travel to work areas. This has come about partly because of the decision of One NorthEast to adopt a sub-regional model of organisation, with 75 per cent of its funds being devolved to four sub-regions. It also emerged out of what was already a good level of co-operation between the five local authorities in Tyne and Wear, this being forged partly by the need to act together to bid for EU funds and to attract inward investment to the sub-region. However, the sub-regional scale fits less well with the localised scale of operation of the voluntary and community sector which lacks suitable infrastructure at this scale. Although 'One NorthEast' has provided some Single Programme funds to develop a voluntary and community sector partnership at the sub-regional scale, concerns remain about the danger of agencies 'working in silos' and of capital projects not sufficiently linked into the 'social agenda'.

Finally, central government policies and programmes appear more likely to be effective if they are owned and delivered close to the ground by trusted actors within deprived neighbourhoods, and with the possibility of a degree of flexibility to adapt to specific local conditions. In the case study areas, more effective policy delivery was associated where effective neighbourhood based organisations that were trusted by the local population were involved in delivery, and where central government services were seriously developing 'outreach' activities (eg in the work of Jobcentre Plus in certain local economies). Certainly a major challenge in many deprived areas is to provide an environment that is supportive and encouraging towards making a shift from benefit into the world of employment. For those in receipt of benefit, a shift into employment often holds few attractions given that it might have limited positive impacts upon household incomes, is less stable than income from benefits, and may lead to the loss (or perceived loss) of future benefit entitlement (eg for those claiming IB). In these circumstances trust in advisers and an ability to work flexibly with claimants appears more likely to be effective than approaches that emphasise strict enforcement of centralised regulations.

CHAPTER 6

Issues for Policy Development

The results of the literature review and analysis of case study local economies permits the identification of a number of issues with regard to policy development relating to the economic development of deprived neighbourhoods.

6.1 Integration of Deprived Neighbourhoods into Wider Economic Development Strategy and Delivery

Deprived neighbourhoods are part of the wider economic system and any dealing with them in isolation from this broader economic context is likely to lead to a mis-specification of their problems. Intense concentrations of deprivation at the neighbourhood level are primarily the result of sorting mechanisms operating within housing markets, whilst the root causes of unemployment and economic activity, as well as low levels of wages, incomes and skills, are located within structural economic change which affects the wider local, sub-regional and regional economy. Therefore, fundamental to tackling the economic basis of the economic problems of deprived neighbourhoods is their integration within economic development strategies operating at the wider local, sub-regional and regional spatial scales. This involves ensuring that the needs of deprived neighbourhoods and how to directly address them are incorporated into regional, sub-regional and local economic development strategies. This also requires addressing the recurrent divide between strategy, which often deals at the spatial level of the region or sub-region, and local delivery, to ensure that those working in deprived neighbourhoods can participate in strategy and policy development. Institutionally, such an approach requires a stronger orientation of LSPs towards economic development issues and the development of stronger sub-regional partnerships and strategies. The latter is particularly important given the importance of the sub-regional scale in relation to the labour market in terms of both supply side issues concerning shifts in sectoral employment and changing skills needs, and in terms of labour demand and the generation of new employment opportunities.

6.2 Labour Market Policy

Employment remains fundamental to the economic development of deprived neighbourhoods. Whilst capital is relatively mobile, labour is much less so, restricted by housing costs, transport and existing social networks. In terms of

getting residents from deprived neighbourhoods into employment, greater attention needs to be given to the types of employment that are being created within the local economy. Residents from such areas are unlikely to be able to compete for more highly skilled jobs. Conversely, very low wage and unstable employment reinforce low expectations and aspirations, and provide little or no incentive to move off of benefits. A key issue for policy development is how to generate a wider range of jobs, particularly semi-skilled jobs and those with a degree of career progression. Important here is working with employers to provide greater opportunities for training and career progression even within relatively low paid service sector employment. Public sector employers could play a significant role here given that they are a major source of local employment and provide a wide range of jobs with various requirements in skill levels. In recent years various public sector employers (eg health trusts) have adopted a variety of recruitment initiatives targeted at disadvantaged groups (eg the long-term unemployed and refugees), although these tended to rely on short-term funding streams (eg the SRB or Health Action Zone funding) rather than being financed through mainstream funding. However, these initiatives have demonstrated that public sector employers have the potential to do more to provide employment opportunities for people from deprived neighbourhoods.

Better progression for those in employment provides not only important role models for other residents within deprived neighbourhoods, but also creates new entry points for those who remain out of formal employment. In areas where low expectations and aspirations to employment have developed due to long-term labour market exclusion, integration back into the world of work becomes important from a young age via work experience programmes, schemes linking local schools and employers, and the use of intermediate labour markets.

6.3 Neighbourhood Economic Initiatives

The evidence for the limited importance of ‘neighbourhood effects’ in comparison to individual and family characteristics, illustrates the limitations of a policy approach that solely concentrates on tackling area effects. However, neighbourhood effects related to economic development do exist and bottom-up initiatives that seek to tackle these alongside the work of main government funding programmes, are important. Whilst neighbourhood level economic initiatives are unable to create large scale employment opportunities, they are important in developing local capacities and encouraging mutual aid and self-help, at the level of communities and individuals. A policy approach that focuses only on improving the skills and employment opportunities of individuals, if successful in helping them to enter employment, often results in these individuals leaving the area. Thus there is an important role in developing economic structures of mutual aid embedded within neighbourhoods that can continue to function even when more mobile individuals leave.

The strong emphasis within the current policy agenda upon formal employment as the route out of poverty has led to a relative neglect of a range of community based economic initiatives (eg credit unions, time banks, community enterprises, intermediate labour markets, etc.) Furthermore, there

is a clear need to recognise more fully, and where possible build upon, the role of informal work in managing and surviving within low income areas. Identifying patterns and dynamics of informal activity will allow a better shaping of policy to encourage positive aspects of informal work whilst focusing attention on those activities that are harmful to the development of the local economy.

The negative impact of the stigmatisation of deprived areas, both for the individuals living in these areas in terms of accessing employment and services, as well as in its discouragement of private sector investment, is an area effect that compounds other factors of disadvantage. The process of altering the internal and external place-images as part of a process of neighbourhood renewal is thus an issue that merits greater policy attention. In evaluating neighbourhood and community based economic initiatives of this and other types, it is critical to see their contribution as much in terms of issues of promoting a better quality of everyday life, social inclusion and political participation as in terms of narrow economic outputs.

6.4 Neighbourhood Delivery And Ownership

Recognition that the main funding programmes of government are those that are of greatest importance to deprived neighbourhoods rather than spatially targeted initiatives, means that the issue of how these programmes are delivered locally and become adaptable and sensitive to local conditions, becomes a critical issue. In seeking to encourage marginalised groups to engage with formal employment, state benefits and other economic development policies, delivery needs to be highly sensitive to local particularities, flexible, in order to adjust to these, and delivered by individuals and organisations which have a degree of trust and credibility. In addition, the more successful programmes in getting difficult to reach groups into the labour market appear to be those that respond to the demands of individual learners and employers. This suggests that forms of neighbourhood delivery working with and through local community based organisations are likely to be the most effective in promoting employment and enterprise within deprived areas. The outreach function of Jobcentre Plus could be important here.

6.5 Geographies of Local Economic Development

Even in areas of economic growth, it is rare that new investment flows into deprived localities on a large scale. Whilst there are examples of this (ie through gentrification), more generally the development of new sectors and sites in the search for renewed profitability creates a new spatial distribution of employment opportunities. Geographically this means that in many cases the sites of new job creation will not be easily accessible to residents of deprived areas, particularly given their limited mobility. This suggests the importance of initiatives that make new jobs more accessible through cheap and reliable public transport provision, childcare provision and training. Where there are possible development sites close to, or within, deprived neighbourhoods, these

provide particular opportunities. Recognition of the changing local geography of economic activity and employment may also require, in some instances, an acceptance that the decline in population and levels of wealth within certain neighbourhoods is a process to be managed rather than reversed.

6.6 Spirals of Decline

Intense pockets of deprivation are created primarily through an interface of structural economic problems and the workings of local housing markets. That the most economically mobile generally move out of such areas as soon as the opportunity arises is a key issue. In seeking to fix populations within deprived areas or areas on the brink of entering such spirals of decline, the quality of housing and the local environment, levels of criminality and the quality of education and other local services are key considerations. This reinforces the importance of integrated approaches to neighbourhood renewal and the need for early intervention before the environment and service quality decline to a point where the economically active move out en masse. Of particular importance here is the relationship between the housing market and economic processes of change in driving spirals of decline, and more rarely, virtuous circles of growth, via gentrification. Given the importance of residential sorting mechanisms to the creation of concentrations of deprivation, housing policy needs to play a central role in addressing them. Although the interface between the housing and labour markets remains complex and poorly understood, there is a need for stronger integration of housing developments and housing policy with processes of local economic development than has been evident in the past. This involves greater local sensitivity towards the possible impacts of other new developments that are likely to attract populations away from areas which are undergoing decline, and active consideration of how declining areas can maintain a stronger social mix through the retention and attraction of those in employment and with better skills and education.

PART 2

Case Studies

CASE STUDY 1

Sunderland

1.1 Dynamics of the Sunderland Economy

1.1.1 INTRODUCTION

Sunderland (population of 280,807 in 2001) is an important industrial and business city within the North East region, historically associated with coal-mining, shipbuilding, engineering, and glass-making. Since before the end of the 1980s, when the remaining shipyard and coal mine closed, the city has been seeking to attract new industries and sources of employment. It has had several successes, notably Nissan in the 1980s, and more recently in attracting several call/contact centres, such as London Electricity. However, despite these, Sunderland continues to have some of the most deprived communities within the North East, particularly in the inner city and riverside areas. The City Council has been very active in the area of local economic development for over 20 years and has formed strong partnerships with neighbouring local authorities and, more recently, with the RDA and various sub-regional organisations.

1.1.2 STRUCTURE OF THE SUNDERLAND ECONOMY

The local economy is dominated in terms of employment by the three main sectors of manufacturing (21.9 per cent), retail/wholesale (14.4 per cent) and public administration, education and health (27 per cent).

Although subject to ongoing decline, manufacturing's share of total employment continues to be greater than the national average of 15.7 per cent. The principal manufacturing sectors are motor vehicles (providing 8,172 jobs in 2002), machinery and equipment manufacture (2,316 jobs), rubber and plastic goods (1,926 jobs) and publishing and printing (1,883 jobs). Construction accounts for 3.7 per cent of employment. The service sector is dominated by retail/wholesale (17.3 per cent of total employment), finance/business (14.3 per cent), health/social work (11.3 per cent) and transport/communications (6.1 per cent).

Sunderland has had some success in attracting new industries; one notable success in the 1980s was Nissan, the car manufacturer, and more recently several call centres (eg London Electricity) which have created 8,000 jobs. Doxford Park in the south of the city has become the main location for call centre activity. There have been some recent closures and job cuts associated with a wider shift of call centre activity to cheaper locations but not to the same

extent as in other parts of the country. This may be because the North East continues to have a relatively low cost base.

Between 1997 and 2002, the number of jobs in the Sunderland economy increased by 6,000, an increase of 5.9 per cent. Tables 1.1 and 1.2 show the main sectoral changes in employment over the 1997-2002 period. Much of the decline in employment has been concentrated in manufacturing, with the clothing, electronic goods and electrical machinery sectors each shedding around 1,000 jobs over the five year period. However, the largest absolute fall in employment occurred in land transport, with more than half of the jobs in this sector being removed from the Sunderland economy. Perhaps more surprising is that over 1,000 jobs went from the 'other business activities' sector since this has grown in employment both nationally and regionally over the period.

1.1.2 SECTORAL CHANGE AND DEVELOPMENT IN THE SUNDERLAND ECONOMY

Table 1.1 Sectors experiencing employment decline 1997-2002			
Sector	2002 Employment	Absolute Change 1997-2002	Percentage Change 1997-2002
Land transport	1380	-1559	-53.0%
Other business activities	7001	-1139	-14.0%
Manufacture of apparel	878	-1074	-55.0%
Manufacture of radio, TV and communications equipment	608	-1030	-62.9%
Manufacture of electrical machinery	886	-993	-52.8%
Manufacture of food products and beverages	963	-629	-39.5%
Manufacture of electrical machinery	2891	-384	-11.7%
Manufacture of paper products	637	-376	-37.1%
Manufacture of machinery and equipment	2316	-346	-13.0%

Source: Annual Business Inquiry

Table 1.2 Sectors experiencing employment growth 1997–2002

Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Education	10950	2907	36.1%
Post and telecommunications	3793	2224	141.7%
Retail trade	12910	2068	19.1%
Manufacture of motor vehicles	8172	1975	31.9%
Financial intermediation	3227	1928	148.4%
Public administration	5811	691	13.5%
Electricity and gas supply	1585	687	76.5%
Auxillary transport	1374	605	78.7%
Manufacture of rubber and plastic goods	1926	597	44.9%
Publishing and printing	1883	481	34.3%

Source: Annual Business Inquiry

Turning to the sectors that have experienced employment growth over the 1997–2002 period, it is a strength of the Sunderland economy that growth has been spread across a range of different types of sectors, including several manufacturing sectors. Almost 2,000 extra jobs were created in motor vehicle manufacture (amounting to an increase of almost a third in proportionate terms) and over 1,000 in rubber and plastic goods manufacture together with the publishing and printing sector. The largest increase in employment occurred in the education sector, with nearly 3,000 extra jobs, followed by post and telecommunications and the retail trade creating a further 2,000 each. Although there was a decline in other business activities, this was largely compensated for by the additional 2,000 jobs in the ‘financial intermediation’ sector. Sunderland is therefore experiencing growth in some business related services, as well as in retailing and some public services.

Interviewees also referred to the recent expansion in retail, particularly associated with the redevelopment of Sunderland City Centre, also a proliferation over the last five years of retail parks and large scale supermarket outlets on land that was previously brownfield or greenfield. The construction sector is forming the focus of economic regeneration plans in Sunderland, and the recent designation of an Urban Regeneration Company (‘Sunderland Arc’), focusing on key development sites along the riverbank and port area, indicates that the district is a key regeneration area at present.

1.1.3 EMPLOYMENT AND WORKLESSNESS

Based on data from the Population Census, the unemployment rate in Sunderland fell from 7.1 per cent of the 16-74 aged population in 1991 to 4.8 per cent in 2001. Table 1.4 shows the ward level unemployment rates for 2001 which vary from highs of 8.0 per cent and 7.2 per cent (for Thorney Close and South Hylton respectively) to lows of 2.2 per cent and 2.6 per cent (for Fulwell and St. Michael's respectively). More recent data, based on Claimant Count figures, gives an unemployment rate for Sunderland in July 2004 of 3.0 per cent which compares with 2.9 per cent for the North East region.

Amongst the unemployed population there is a significant proportion of long-term unemployed (37 per cent), compared with 30 per cent in England as a whole. In some wards, more than 40 per cent of the unemployed are 'long-term'. In addition, 6.2 per cent of the 16-74 aged population at the time of the 2001 Census had never worked, which compares with 5.3 per cent nationally.

Table 1.3 Economic activity rates of the 16-74 year old population, 2001

Area	ER (%)
Castletown	58.4
Central	51.4
Colliery	57.4
Eppleton	61.1
Fulwell	65.1
Grindon	54.5
Hendon	59.1
Hetton	56.5
Houghton	58.3
Pallion	58.9
Ryhope	63.7
Shiney Row	64.0
Silksworth	63.1
South Hylton	56.3
Southwick	51.9
St. Chad's	57.3
St. Michael's	61.9
St. Peter's	63.3
Thorney Close	53.3
Thornholme	58.6
Town End Farm	56.4
Washington East	66.6
Washington North	63.2
Washington South	70.7
Washington West	68.8
Sunderland	60.6

Source: Census, 2001

The level of economic activity within the 16-74 aged population fell from 61.5 per cent in 1991 to 60.6 per cent in 2001, compared to a slight fall from 67.2 per cent to 66.9 per cent in England as a whole. More recent data, based on Dept of Work and Pensions (DWP) data relating to the Government's PSA floor targets, shows that Sunderland's employment rate in 2001-02 was 66.1 per cent, considerably below the national rate of 75.0 per cent. The employment rate for those aged over 50 was especially low, 50.2 per cent, compared to an England average of 69.1 per cent.

In terms of the reasons for economic inactivity, Sunderland has a much higher proportion of people who are inactive because they are permanently sick or disabled compared with England as a whole: 26.3 per cent and 16.0 per cent respectively (Census 2001). In fact, the proportion of Sunderland's population claiming Incapacity Benefit (IB) is almost double the national average. This can be attributed to the legacy of heavy industry in the Sunderland economy (especially coal-mining and shipbuilding) and the number of former employees in these industries who qualify for these benefits.

Table 1.4 Unemployment rates and the proportion of long-term unemployed (16-74 year olds), 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Castletown	5.7	37.6
Central	4.7	42.7
Colliery	5.2	40.5
Eppleton	4.6	32.9
Fulwell	2.2	30.1
Grindon	6.4	38.0
Hendon	6.3	40.3
Hetton	4.9	35.7
Houghton	5.0	29.3
Pallion	4.4	37.5
Ryhope	4.2	35.4
Shiney Row	4.1	29.6
Silksworth	3.9	38.5
South Hylton	7.2	37.9
Southwick	6.5	41.0
St. Chad's	3.9	37.8
St. Michael's	2.6	31.8
St. Peter's	4.0	36.8
Thorney Close	8.0	42.8
Thornholme	5.4	38.5
Town End Farm	6.7	44.3
Washington East	4.0	32.1
Washington North	5.9	37.7
Washington South	3.8	28.6
Washington West	3.6	30.3
Sunderland	4.8	36.7

Source: Census, 2001

Average gross weekly earnings (according to New Earnings Survey data) in Sunderland in 2002 were slightly above the North East regional average (£397.14 compared to £394.07), as were hourly pay rates (£10.09 compared with £9.97). However, these earnings levels are considerably below the national averages (£471.72 for gross weekly pay and £11.88 for hourly pay). Another indication of the relatively low income levels in Sunderland is the proportion of the population on income support: 13.5 per cent of the 16-74 aged population in Sunderland compared with 9.2 per cent in England (Census 2001). In three wards more than a fifth of the population are on income support.

1.1.5 EDUCATION AND SKILLS

Table 1.5 Sunderland wards: Highest level of (NVQ) qualification, for those aged 16-74, 2001

Area	Pop. 16-74	No quals.	Level 4/5
Castletown	7319	43.2	5.8
Central	9726	31.6	13.0
Colliery	6423	41.6	10.0
Eppleton	8857	35.5	12.8
Fulwell	7477	27.3	18.2
Grindon	6780	47.5	6.4
Hendon	7483	36.5	14.8
Hetton	8277	42.4	9.2
Houghton	7391	41.9	8.5
Pallion	7758	37.8	13.1
Ryhope	10145	37.1	11.4
Shiney Row	10248	34.6	12.7
Silksworth	8941	37.3	10.8
South Hylton	7253	46.6	6.4
Southwick	6122	51.6	4.4
St. Chad's	7309	36.8	15.4
St. Michael's	7718	27.9	22.0
St. Peter's	7667	30.6	17.5
Thorney Close	6991	50.3	4.8
Thornholme	7881	27.1	21.2
Town End Farm	6676	45.0	4.7
Washington East	10861	32.0	12.4
Washington North	8425	40.5	8.4
Washington South	13828	28.1	15.4
Washington West	8672	31.3	12.7
Sunderland	206228	36.9	12.0

Source: Census, 2001

The Sunderland workforce is characterised by relatively low skills and education: according to the 2001 census 36.9 per cent of residents aged 16-74 had no qualification, significantly greater than the average for England (28.9 per cent). Only 12.0 per cent of the population had a qualification at GNVQ level 4/5. In two wards, the proportion of the population with no qualifications exceeds 50 per cent, and in a further eight wards it exceeds 40 per cent.

1.1.6 BUSINESS START-UPS

One of the main weaknesses of the Sunderland economy is the low rate of new business formation. Using VAT registration data, there was a net change in the business stock over the 1994–2003 period of just 1.2 per cent, compared to an increase of 9.2 per cent nationally. The number of VAT registrations per 10,000 adult population is one of the lowest in England (an average of 18.2 over the 1997/98 to 2002-03 period, compared to a national average of 40.7). Initiatives to try to improve the business formation rate are one of the top priorities of One NorthEast and the Tyne and Wear Business Link.

1.1.7 STRENGTHS, WEAKNESSES AND POTENTIAL OF THE SUNDERLAND ECONOMY

The ready supply of 'willing', 'reliable' and 'cheap' labour (all words used by interviewees) is seen to be one of the main advantages of the region, and has been extolled by the City Council to attract large employers. The particular success of call centre activity in the North East was further attributed to the characteristic regional accent, which employers value because their clients/customers find it 'easy to understand' and 'friendly'. There is an ongoing threat, however, of large employers pulling out to relocate 'backoffice' and data processing activities to parts of the world offering cheaper labour and/or other advantages. The future of the automotive industry in the North East is similarly seen to be highly dependent on the future investment of decisions of one company, Nissan.

Other employment opportunities identified by interviewees were in the health and social care sector and the hospitality sector, particularly in restaurants, pubs and clubs in areas of new development. The NHS is experiencing difficulties in filling auxiliary positions (porters, catering, etc), although one interviewee commented that this may be due to the low wages offered.

Although the economic strategy for the region emphasises the growing importance of the 'knowledge economy', there appears to be a limited basis upon which to build. One interviewee was particularly sceptical of Sunderland's prospects in sectors like biotechnology and multi-media, given the handful of small firms currently existing in these sectors. The one sector which does form a district cluster of firms in the North East is offshore engineering and shipbuilding, although this is mainly concentrated on both Tyneside and Teeside rather than Wearside.

There is concern at the shortage of a range of skills in the local economy. A particular concern is the extent to which jobs in the construction industry

associated with development/regeneration projects are likely to be filled by people outside of Sunderland and the North East. One interviewee who had worked in conjunction with the Construction Industry Training Board (CITB), referred to “*a clear and emerging crisis in the industry for all levels of skills, from bod carriers on building sites to designers, architects and planners*”.

Other weaknesses/threats identified by interviewees included:

- The tendency for Sunderland to have lost out to Newcastle in terms of competing for regeneration funding. A number of interviewees further identified ‘image’ as a problem for Sunderland, including that the city has tended to be viewed as a poor relation of Newcastle, although recent regeneration efforts are seen as starting to overcome this.
- Although shortage of land is not generally a problem, a legacy of former heavy industry is that many sites remain contaminated and require decontamination before they can be re-developed.
- The rising cost of housing and potential shortages, particularly affecting younger people.
- One organisation referred to the ongoing decline of manufacturing as affecting their ability to identify potential placements and sponsorship in the manufacturing sector.

1.2 Economic Problems of Deprived Neighbourhoods

1.2.1 DEPRIVED NEIGHBOURHOODS IN SUNDERLAND

Sunderland continues to have some of the most deprived communities within the North East, particularly in the inner city and riverside areas. In terms of deprivation, Sunderland is ranked 18th overall in England and 8th in terms of the employment domain. There are 11 wards ranked within the 10 per cent most deprived wards nationally and Southwick is ranked 55th nationally.

All interviewees but one had been directly involved in efforts to assist deprived neighbourhoods, one as a member of the East End and Hendon NDC programme team and five interviewees in three organisations involved in the delivery of support, two of these agencies also being located in East End and Hendon.

Table 1.6 Multiple index of deprivation in England by ward (Sunderland)

Area	Score	Rank
Castletown	57.27	330
Central	46.09	750
Colliery	50.67	541
Eppleton	42.24	978
Fulwell	14.09	4988
Grindon	58.24	301
Hendon	50	565
Hetton	44.82	832
Houghton	42.89	936
Pallion	39.27	1178
Ryhope	41.54	1018
Shiney Row	35.07	1492
Silksworth	36.01	1416
South Hylton	64.88	164
Southwick	71.99	55
St. Chad's	36.42	1390
St. Michael's	22.72	3048
St. Peter's	33.7	1599
Thorney Close	65.54	154
Thornholme	41.55	1017
Town End Farm	66.09	143
Washington East	29.68	2024
Washington North	47.85	663
Washington South	24.27	2783
Washington West	32.18	1759
Sunderland	42.58	18

Source: ONS

1.2.2 CHARACTERISTICS OF DEPRIVED WARDS

All the deprived neighbourhoods exhibit broadly similar characteristics in terms of relatively high levels of unemployment and worklessness, low rates of economic activity and employment and low levels of household income and skills and education (Table 1.6). Populations are largely white with no significant ethnic minority groupings (comprising just 2 per cent of Sunderland's population), they tend to be declining and comprise a high proportion of long-term residents.

Additional insight into the characteristics and problems of deprived neighbourhoods in general was provided by interviewees:

- High levels of both registered unemployment and hidden unemployment (ie on sickness benefit or living in the area but not claiming any form of

benefit: “*We’ve got a cycle of deprivation: grandparent, parents and children that have never worked and losing the ethos of work*”).

- Most residents are in unskilled part-time employment (some in semi-skilled) with little security of tenure; many of those in employment have two or three jobs in order to make ends meet.
- High levels of indebtedness.
- Low levels of educational achievement (eg out of every 5,000 adult residents fewer than 50 have an NVQ qualification at level 3 or above; also very low university intake from deprived neighbourhoods).
- A relatively high proportion of residents who have a history of crime and a higher than average proportion in prison or currently on a probation order, which inevitably restricts their economic activity, including once their involvement with the legal system has ended.
- Very low car ownership, which restricts mobility and choice in the job market (46.6 per cent in Hendon Ward have no car or van, compared with 39.9 per cent in Sunderland and 26.8 per cent in England and Wales (2001 Census)). With respect to the ‘24 hour economy’, buses start at 6am and finish at 11pm, hence restricting the ability of those without cars to work outside these hours. Hence a very high percentage of people are employed within or near to the neighbourhood area, including within voluntary sector community-based projects and the ‘shopping centre up the road’.
- Poor housing, particularly large housing estates, with a low percentage of owner-occupiers and high percentage of rented housing (both private and ‘social’ landlords).
- ‘Death by postcode’ – negative perception of employers and schools which inhibit access to employment and schools (“*we have personal experience of it happening*”).
- Low aspirations and related ‘cultural barriers’ towards education and skills awareness and attainment.
- In general terms, the ‘culture’ of deprived neighbourhoods was described by one interviewee as “*very insular, very xenophobic, very crime ridden, very racist*”.

There are significant costs associated with deprivation, including the higher health care needs of people who may be physically and mentally inactive (eg many people have considerable mental health needs as well as physical disability: a consequence of people confined closely together within four walls, including particular impacts on children that affect their performance/behaviour at school – perpetuating a cycle of under-achievement). There are significant costs also associated with policing to tackle vandalism and petty crime.

1.3 Case Study of a Deprived Neighbourhood: East End and Hendon

East End and Hendon contains around 10,400 residents and 4,000 households. The area is bordered by the city centre to the west, the River Wear to the north, the port/docks and North Sea to the east and Grangetown on the southern fringe of the city. Although largely residential, the area contains some employment areas (including retail and wholesale distribution), particularly near the docks. The location of the area in relation to the city centre and port is an advantage, but it contains areas of severe deprivation and is a designated a NDC area, with £54m committed to supporting community regeneration over ten years.

Table 1.7 Resident population aged 17 to 64 (percentage)

	Hendon	Sunderland	England and Wales
Employed	49.7	53.3	60.6
Unemployed	6.3	4.8	3.4
Economically active full-time students	3.1	2.5	2.6
Retired	13.3	14.3	13.6
Economically inactive students	5.6	4.6	4.7
Looking after home/family	7.1	6.7	6.5
Permanently sick or disabled	11.1	10.4	5.5
Other economically inactive	3.9	3.4	3.1

Source: 2001 Census, ONS

According to the 2001 Census, 15 per cent of those unemployed were aged 50 and over, 17 per cent had never worked and 40 per cent were long-term unemployed.

1.3.1 RECENT EVOLUTION

The area has been particularly affected by the decline of both the port and its associated activities and manufacturing industry, including some large textiles factories. A number of other large employers have left the area more recently, including Littlewoods and some food processing firms. The remaining small industrial area near the docks/seafront is very poor in physical condition and appearance, although there are a number of businesses that continue to operate, including plumbing suppliers.

Also located within the area is Stanfield Business Centre which was opened in 2000 and provides low cost good quality office and workshop accommodation for small business start-ups and also houses the NDC team. Interviewees, however, emphasised the limited nature of this accommodation and their observation that many small businesses had closed down or left the area.

Although there has been little recent business investment directly within the area, greater attention has been given to regenerating the fringe nearer to the city centre. On the edge of the NDC area is the 'Riverside Quarter', currently under development, involving a new multiplex cinema, restaurants and bars. The NDC team has worked with the investment team and contractors to try to get local people involved in construction, and is now working with end users to try to get local people into these jobs.

The comments of four interviewees best convey the extent and ongoing nature of decline in the area, in spite of efforts and resources committed over the past decade or so:

"... its been allowed to deteriorate and become run down over many years [...] it's a community that has been left behind – people within the area who have some success tend to leave."

"... the community has not changed dramatically in the 25 years that I've worked in Hendon East End [...] over the last five years it has become much more stark and harsher and nastier ..."

"10 to 15 years ago I never saw open dealings of drugs on the streets – you can see it now in the high streets or secondary shop parades – things have worsened [...] we have been doing this work for 25 years, and we have changed individuals but we ain't changed communities."

"I can see areas of deprivation where the needle has not shifted in 10 years of sustained effort to improve that community – yes, local government has done a lot on the physical side: better roads, streetlights – let's revamp the houses. But the impact on the people has been minimal – the people unemployed 10 years ago are generally the same people who are unemployed today."

1.3.2 BARRIERS TO WORK

Barriers to work need to be understood in the wider context of economic decline, a shortage of attractive, better paid work, and the prevalence of low paid and often insecure work. The low level of educational attainment and skills further limit opportunities to pursue better paid jobs and develop careers. Many are likely to have chosen to remain 'unemployed' rather than taking available work judged to be of low quality and offering limited remuneration. As one interviewee working in East End and Hendon commented:

"... there is a difficulty in convincing young people that there is a realistic level of reward for the right kind of effort – not just financial reward but around job security and of engendering a 'flexible' outlook on employment."

Many job positions, particularly unskilled, tend to be filled informally rather than formally, ie through word-of-mouth rather than placing an advert in Jobcentre Plus or in the newspaper. One interviewee pointed out that employers requiring unskilled labour often wanted vacancies filled quickly,

without the extra delay and cost of having to advertise or conduct interviews – “... they’d rather say: ‘do you know somebody who can do that job? – bring them in please’.” Hence getting such work is, to a large extent, dependant on ‘who you know’. It was suggested that such informal recruitment was favoured by many types of business, including some more high-tech companies who had manual work to do.

1.3.3 EXTENT AND NATURE OF ECONOMIC INTEGRATION OF DEPRIVED NEIGHBOURHOODS WITHIN LOCAL ECONOMY

Economic ‘integration’ is mainly in terms employment found in other parts of the city, particularly the nearby city centre. According to interviewees, however, the success of Sunderland City Council in securing inward investment has tended to benefit the city/region as a whole, with little perceptible impact on the fortunes of deprived neighbourhoods such as East End and Hendon.

“Inevitably employment in the poorer communities does go up and down with the wider economy but the underlying core – sometimes referred to as the ‘underclass’ – hasn’t changed massively, almost like there is a different culture in the poor communities.”

Linkages to the wider economy were described by interviewees as being of a limited nature:

“... they are artificial ones which are structured by government agencies to try and reconnect communities with the wider economy and by and large the success rates have been poor because there is a marked reluctance of people in these areas to have, frankly, much ambition, to have much confidence in their own ability, and because many of them do have a very low skills base the remuneration they can get is very low, they can’t command a very high salary whatever job they get, which means that long distance commuting becomes a chore and an expense they cannot afford ...”

The view was further expressed that the ‘visions’ to be found in strategy and policy documents (eg relating to the knowledge economy and growth sectors) were far removed from the expectations of most local people:

“... they are miles away from the realistic economic expectations of people living in the deprived neighbourhoods – they are not skilled, they don’t have the mindset, really, to effectively engage, really with a knowledge driven economy unless there is significant capacity building, and that is not happening.”

On a more positive note, local organisations have had some success in engaging local employers, many of whom have been found to be very willing to help. This is partly attributed to the awareness of many local employers of the serious nature of the skills shortage in many key areas of the economy.

1.3.4 INFORMAL ECONOMIC ACTIVITY

A number of interviewees (particularly those based in East End and Hendon and who had worked extensively with local people) affirmed that the level of informal economic activity, although impossible to quantify, was likely to be high. *“There is a culture that it is financially better off to do things ‘informally’.”*

Examples referred to, which interviewees had observed or had more direct experience of, included in relation to the fishing industry, building and demolition work, painting and decorating, cleaning, catering, and smuggling cigarettes and alcohol.

“People just disappear, don’t claim benefit – they live on the margins of the economy. There is quite a large informal economy and the community itself is ... almost has its own culture – very separate, not integrated, very separate from the mainstream”.

In relation to the prevalence of drugs, one interviewee identified the influence of role models on young people in particular:

“... if you get a boy or girl – 15, 16 or 17 years old – who knows/has got a role model of somebody dealing in drugs with a flash car and all the rest of it and still probably claiming unemployment benefit – they are seen as a fool to go out and work on a training scheme for ‘X’ amount of money – it’s been said that ‘it’s absolutely stupid, I can earn what you get in a week in one day’ ...”.

One of the activities of Social Enterprise Sunderland (SES) has been to target individuals engaged in ‘informal’ economic activity and encourage them to enter the ‘formal’ economy (“from fiddle to legit”). In this respect a number of examples were referred to where individuals who had been trading in the informal economy had been helped to establish successful legitimate businesses (*“... there’s a guy now who owns probably 20 properties if not more, runs two care homes and started by poaching fish in the middle of the Wear – that’s where he got his original capital from”*). On the other hand, it was acknowledged that for many people circumstances dictated that staying ‘informal’ made most financial sense. Whereas SES have experienced some success in formalisation activity, this was attributed to their particular approach, the organisation’s voluntary sector culture, and the close links developed with the area over time. Individuals working with SES had themselves a long history of working in the area (eg one interviewee had previously been a community activist and welfare rights worker) and therefore saw themselves as being well placed to understand and gain the trust of local people. Mainstream agencies, on the other hand, are less well positioned for such work, largely because the ‘cultural background’ of the individuals working for such organisations is too different to that of the people targeted for help.

1.4. Co-ordination and Integration of Policy Strategies and Economic Initiatives

1.4.1 GOVERNANCE ARRANGEMENTS FOR ECONOMIC DEVELOPMENT ACROSS DIFFERENT SPATIAL SCALES

The Figures at the end of this section show the wide range of programmes and policies that apply to Sunderland. As well as the government's mainstream programmes, Sunderland qualifies for assistance under the full range of programmes directed at deprived areas. As part of the North East region's Objective 2 area, Sunderland qualifies for EU Structural Funds and as a former coal-mining area, is also eligible for the EU's RECHAR¹ programme. Along with Objective 2 status comes tier 2 status under the Government's Assisted Areas policy and hence eligibility for Regional Selective Assistance. In addition to regional aid, Sunderland has been selected for assistance under each generation of urban policy over the last twenty years or so. Thus in the 1980s it received funding under the Government's Urban Programme and came within the area covered by the Tyne and Wear Development Corporation; in the 1990s it received City Challenge funds as well as funding under each round of the SRB; in the last few years further funding has been obtained under the New Deal for Communities programme and the Neighbourhood Renewal Fund; and most recently, it has been successful in its bid for an Urban Regeneration Company. It is therefore difficult to find a government regeneration programme which Sunderland has not qualified for.

The RDA, 'One NorthEast', mainly focuses on the regional and sub-regional scales rather than on 'local economic development'. The RDA has placed a lot of emphasis on identifying business clusters, centres of excellence, and the development of collaborative networks, and these are now the core of its Regional Economic Strategy (RES). An element of the RES is concerned with "community renaissance" (theme 6.1), but this is (according to the officer responsible for this aspect) essentially a summary of various SRB/NRF/NDC initiatives rather than being a strategic statement.

'One NorthEast' aims to achieve a level playing field across the region, leading to the rationalisation of various kinds of business support initiatives. For example, it has supported the formation of the NE Social Enterprise Partnership which is providing training for Business Link (BL) officers and looking at ways of supporting social enterprises through public sector procurement decisions (NHS, local authorities, etc).

Some concern was expressed by those interviewed about the commitment of RDAs to local regeneration, especially the 'softer' side of regeneration. There is a view that RDAs are heavily influenced by the interests of the private sector, rather than being concerned with what RDA board members tend to perceive as more marginal activities. During 2003 'One NorthEast' appointed for the first time an officer to deal specifically with economic and social inclusion issues.

¹ RECHAR is the EU Programme to assist the conversion of coal-mining areas.

LSC Tyne & Wear (LSCTW) is primarily concerned with the development and implementation of learning and workforce development strategies across the sub-region of Tyne and Wear, focused on the five national priorities and two local priorities relating to extending participation in learning, raising achievement levels, and raising the quality of learning provision. The DfES programmes are very prescriptive, making it difficult to bend programmes to local circumstances. The former Training and Enterprise Councils (TECs) used to have more discretionary spending than is the case with the LSCs. TECs could also use surpluses to support local and longer-term projects, but the LSCs are unable to do this. Where the LSCTW does have more discretion over its spending, eg. the 'Local Initiative Development Fund', the focus is primarily on particular disadvantaged groups (eg refugees, ethnic minorities, those with disabilities) rather than on deprived areas (although the two invariably coincide).

The LSCTW's involvement with the NR agenda comes through their participation in the five LSPs within the T & W sub-region, one of which is the Sunderland LSP. The LSC is currently working with the Sector Skill Councils and other partner bodies to launch a workforce development initiative for the construction sector within Sunderland (this being linked to the development projects of the Urban Regeneration Company 'Sunderland Arc').

One dedicated fund (worth £980k in 2002-3) which the LSCTW has for projects in NR awards is the 'Neighbourhood Learning and Deprived Communities Fund', this being a national level fund available to those LSCs which have NR wards. Tyne & Wear has 50 qualifying wards, of which ten are in Sunderland. Much of the funding in Sunderland has gone towards capital funding for a learning and community centre project (the Hetton Centre), as well as a mapping of learning provision.

Business Link Tyne & Wear (BLTW) operates at the sub-regional level and does not target its services at particular areas. Support services focus on:

- (i) established businesses (including very small businesses)
- (ii) start-up businesses
- (iii) social enterprises

It has a budget of £2.2m from the DTI, but this increases to £10m with funds from 'One NorthEast' (Single Programme), the LSC, and the EU.

Businesses in deprived neighbourhoods are most likely to go to local support agencies, eg those set-up as part of the New Deal for Communities programme. However, the interviewed BL officers considered that it is important that local support networks link into mainstream Business Link (BL) support. Within BLTW there appears to be some tendency to see social enterprises rather than more conventional types of enterprise as being most applicable to tackling the problems of Deprived Neighbourhoods (DNs), although the BL interviewees argued that social enterprises face the same kind of business issues and have the same kind of needs as other businesses. BLTW business support services mainly reflect 'top-down' thinking about what is required, the main policy

drivers being the SBS and the Regional Economic Strategy. The dominant view is that most businesses require the same kind of assistance wherever they are located and as a result, there is hardly any 'local specification' of support services.

Sunderland City Council has a Business and Investment Team (under the Chief Executive's Directorate) and a Development, Housing, and Regeneration Team. There has been a strong commitment to both economic development and regeneration since the late 1970s, with much of the funding coming from EU Structural Funds and various urban programmes including all rounds of the SRB which has provided £60m of regeneration resources for Sunderland. The Council is fairly unique in having its own £1m grant fund for the last 23 years which it uses to attract inward investment and promote indigenous business development.

Objective 2, Priority 4 has proved to be an important source of funding available to the Council for various grass roots, local economic development initiatives in Sunderland – they include Sunderland North Community Business Centre; Pennywell Community Business; Sunderland Common Ownership Enterprise Resource Centre (various community employment initiatives); and 'Into Work (Sunderland) Ltd' (intermediate labour market initiatives). Some of these voluntary sector organisations now have the capacity to bid directly for EU funds.

Using SRB matched with EU funds, the Council (in partnership with the Careers Service and LSC) has developed its own 'Jobs Linkage' programme which aims to provide a personalised counselling and job support service, divorced from the benefit aspects (and therefore different from Jobcentre Plus and the New Deal). It also responds to the human resource needs of existing businesses and inward investors by developing customised training and employment support for local people. Resources have been particularly targeted at the socially excluded.

Using NR funding, Sunderland City Council is trying to link its grants to Small and Medium-Sized Enterprises (SMEs) to the recruitment of people from deprived neighbourhoods, aiming to create 75 jobs for people from deprived neighbourhoods from the £150k grant fund. A condition of the grant is that recipients guarantee to interview someone from a deprived neighbourhood for each vacancy, although this doesn't mean that they will necessarily recruit that person. The Council is reluctant to impose too many restrictions on businesses to avoid the risk of losing the investment to elsewhere.

Sunderland Local Strategic Partnership: The LSPs within the Tyne & Wear sub-region vary considerably in their ability to get to grips with the tasks given to them. The Sunderland LSP is generally considered to be one of the better ones and, largely because of a history of partnership working over more than a decade, has been able to 'hit the ground running'. Sunderland LSP is considered to have developed a strong team and an effective working structure, with seven thematic sub-groups covering different aspects of the regeneration agenda (eg employment, enterprise and prosperity). The LSP has divided Sunderland into six geographical areas and partnerships have been established for five of them.

Sunderland Urban Regeneration Company: The URC 'Sunderland Arc' established in May 2002, is primarily concerned with the physical regeneration of the riverside areas (sites which did not get developed by the Tyne & Wear Development Corporation). Funding comes from the RDA (Single Programme) and English Partnerships with a £9m budget for the first three years.

The East End and Hendon New Deal for Communities (NDC) Partnership has £54m to spend on community regeneration over a 10 year period (2001-11). The overall aim is to deliver key outcomes in reducing crime, improving health, education and reducing worklessness and increasing community involvement in the area. The NDC Partnership – 'Back on the Map' Partnership (BOTM) – involves around 25 people representing local residents and local service providers. BOTM is currently in the process of restructuring; with the recent completion of the first three years of the programme there has been a moratorium on new projects to allow for a period of re-consideration of strategic objectives and re-orientation (the first three years are described as a 'learning period'). Hence BOTM is currently drafting a forward strategy to link more explicitly with city-wide, regional and national policy thinking, taking the Regional Economic Strategy as the main starting point. Over the previous three years many organisations have received funding from NDC, for some as a continuation of the SRB6 funding regime under which they were established (the NDC area is almost a replica of previous SRB6 area).

1.4.2 DEGREE OF HORIZONTAL AND VERTICAL CO-ORDINATION AND INTEGRATION OF POLICY

(a) Sub-regional approach

A distinctive feature is the existence of a strong sub-regional level partnership in the form of the five local authorities which make up the Tyne and Wear Partnership. This has come about partly because of the decision of One NorthEast to adopt a sub-regional model of organisation, with 75 per cent of its funds being devolved to the four sub-regions (Northumberland; Durham; Tyne & Wear; and Tees Valley). This sub-regional approach makes sense in terms of the functioning of labour markets and travel to work areas. This came on top of what was already a good level of co-operation between the five local authorities in Tyne and Wear (eg they had established the Tyne and Wear Economic Development Company in the 1980s), this being forged partly by the need to act together to bid for EU funds and to attract inward investment to the sub-region. Most interviewees consider that the Partnership works well, helped by the fact that a lot of the main players have been around for a long time.

However, the sub-regional scale does not fit well with the localised scale that the voluntary and community sector is used to, as it has no suitable infrastructure at this scale. For example, it was claimed that the sub-regional partnerships have been turning down applications from voluntary groups because they concern projects which are too localised. It has not proved easy to convince key people within RDAs that 'economic inclusion' initiatives are best tackled at the local scale. In recognition of these problems, 'One NorthEast' is currently providing some Single Programme funds to develop a voluntary and community sector partnership at the sub-regional scale to help develop larger scale projects that cover a number of deprived areas.

In 2004, TWP were notified that they have a 'standstill' budget for 2005-08 of about £40m per annum. There are currently four panels working on what priorities should be in terms of (1) business support, (2) employment and skills, (3) renaissance, and (4) tourism and culture. TWP is under instruction to move to fewer bigger schemes, hence the partnership is looking to support no more than 20 schemes for the new programme from April 2005. This is partly related to the greater visibility and prestige associated with larger projects, although there is some scope for a number of smaller projects to be packaged into the large projects.

(b) Rationalisation of business support

There has been a proliferation of initiatives and agencies concerned with providing business support within the North East region. Consequently, 'One NorthEast' has been carrying out a review of business support within the region. Within Tyne and Wear alone, research by BLTW has uncovered around 160 initiatives aimed at start-ups (including those funded via Objective 2, SRB, local authorities, and the RDA), but little is known about which ones work and why.

At the sub-regional level, a consortium of enterprise agencies has been formed to provide support and advice to start-up businesses. The aim is to combine a geographical focus with a specialist one, so that if a particular enterprise agency is good at working with disadvantaged communities, it can provide this service across the sub-region rather than being confined to a particular locality.

(c) Vertical linkages

It appears that the inter-face between the LSCTW and the LSPs tends to be more developed than that between the LSC and the RDA, possibly reflecting the LSC's primary focus on the education and skills of people rather than on business investment. On the other hand, BLTW has good vertical links with the RDA and is a key organisation in the delivery of the Regional Economic Strategy.

The LSPs do not have a formal route onto the sub-regional partnerships, other than via local authority involvement. The RDA has yet to find out how best to deal with the 30 LSPs within its region – in the words of the interviewed 'One NorthEast' officer *"it's easy to lose touch with what they are all doing"*.

There appears to be a lack of clarity (at least in the minds of various partners) about the role of the Government Office for the North East (GONE) with respect to LSPs. On the one hand, those working at the local level think that the Government Office has encouraged too much bureaucracy and 'constitutionalising' whereas those working at the regional and sub-regional levels think that it has been rather lax with respect to the accreditation of some LSPs within the sub-region. Several of those interviewed look to the GONE to build the bridges between different organisations, both in terms of functional responsibilities and in terms of spatial scales, as it is seen as being in the best position to have an overview of what everyone is doing in the region/sub-region and of what is required to achieve more effective integration.

(d) Co-ordination between programmes

There appears to be little co-ordination between the work of the New Deal for Communities team in Sunderland (Hendon) and the LSP. According to one

member of the LSP, the NDC programme is hardly ever discussed at LSP meetings, despite the fact that more than £54m is being targeted at this one deprived neighbourhood within the city. From a local authority perspective, the NDC is thought to have experienced some problems of parochialism and domination by a few voluntary sector groups who were opposed to any public sector involvement. Whilst the NDC is community driven, the local authority sees itself as having a facilitating role, including the employment of the delivery team.

Whereas the emphasis of the sub-regional partnerships appears to be on business-led regeneration and economic development issues, that of the LSPs is more concerned with social aspects and issues of worklessness and access to employment. This could easily become a growing divide unless ways are found of forging better links between economic regeneration and social regeneration. This divide can be mirrored within local authorities with little integration and communication between economic regeneration and social regeneration practitioners, although this appears not to be the case in Sunderland where there is joint working between the Business Investment and Housing and Regeneration teams.

Some interviewees expressed concern about the danger of agencies 'working in silos' and that if capital projects are not sufficiently linked into the 'social agenda' then efforts could be wasted. For example, the TWP programme manager commented that "we rely on partnership agencies to make linkages with local people – the social agenda and neighbourhood renewal agenda is outside of our remit". Serious concerns have been expressed on a regular basis about the need to ensure that the investment made through Business Link, TWP and the LSC actually provide the support that disadvantaged localities need and that local people are able to take up the jobs created:

"... and all of them, when you read their strategy documents, are desperately keen to ensure economic regeneration, want to revitalise neighbourhoods and economies, are absolutely signed up to the notion of 'joined up government' and flexible thinking and sort of 'future proofing' programmes – all of the kind of speak and dialogue you would expect from them. But on the ground, my experience is that they struggle desperately to work together because they are all searching for a magic bullet to solve problems as and where they can, they are desperate to prove their worth to Government in particular by almost scrapping with each other as to who can take credit for one initiative or another."

Although conscious of the need for efforts at different spatial levels to have a degree of integration in order to maximise impact, interviewees involved with neighbourhood level regeneration also pointed to the dangers inherent in drives for greater integration and co-ordination.

"... the more something on a small scale is fitted into a much larger picture the more it disappears ... within the grand scale of things it may not be seen as very important."

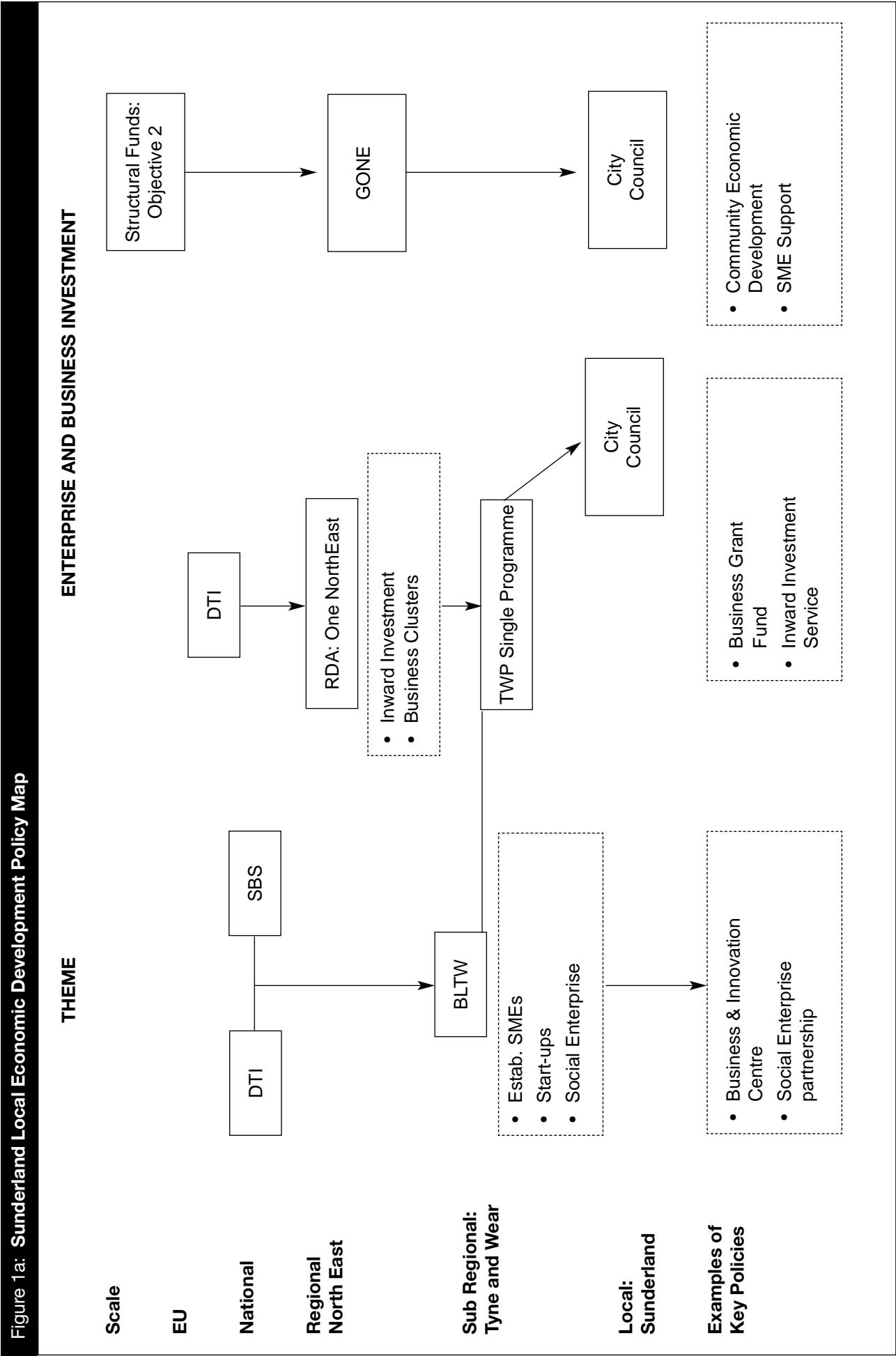
The Social Enterprise Sunderland interviewees were particularly sceptical of the recent shift of emphasis to more regional and sub-regional interventions and

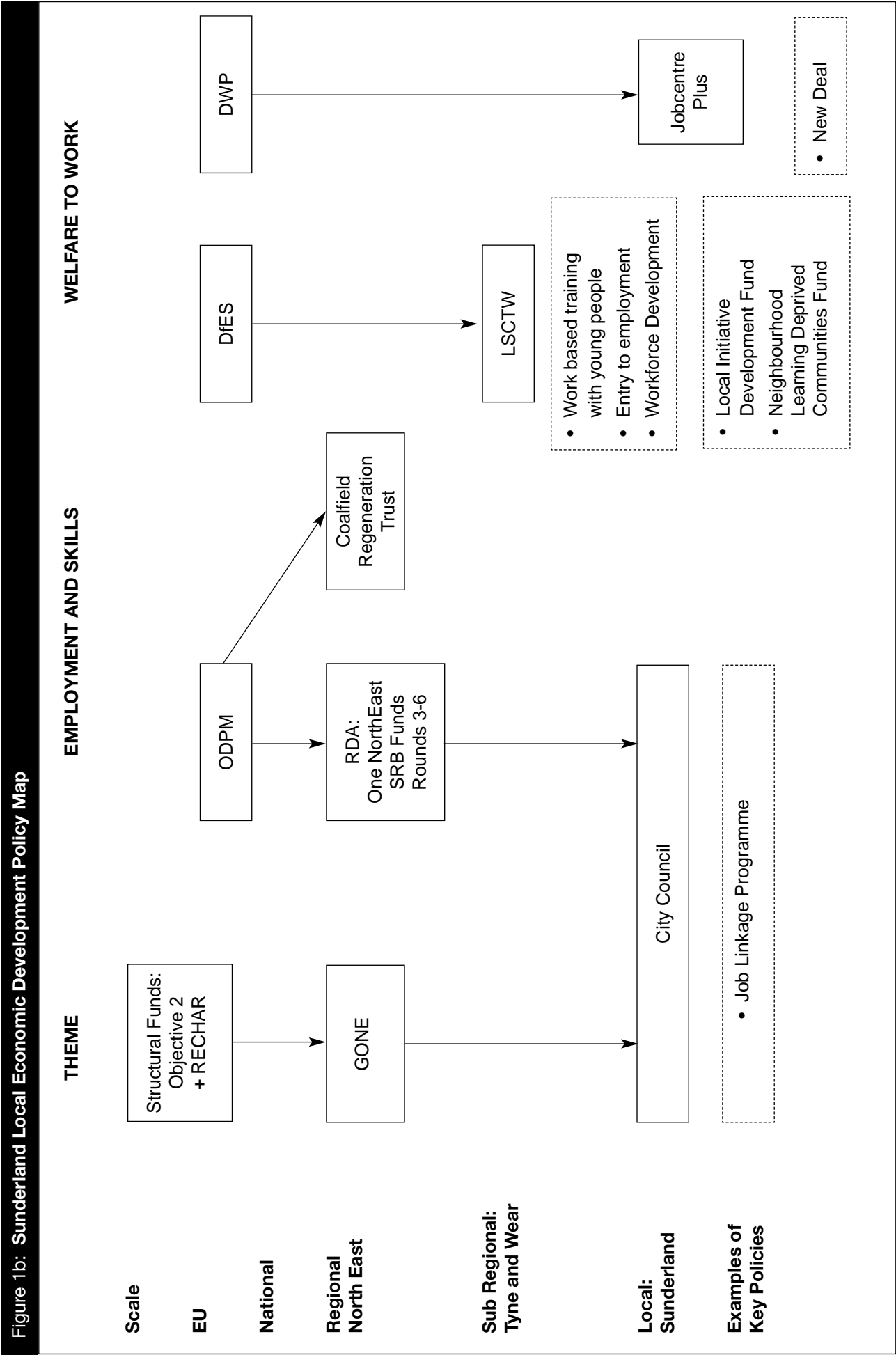
the threatened decline of area based approaches, questioning the extent to which the benefits of large projects would ‘trickle down’ to the most deprived communities and pointing to the lack of funding streams for community development in future. SES may itself be forced to ‘go regional or sub-regional’ in order to protect its future, but interviewees felt this would conflict with the need for an intensive local focus.

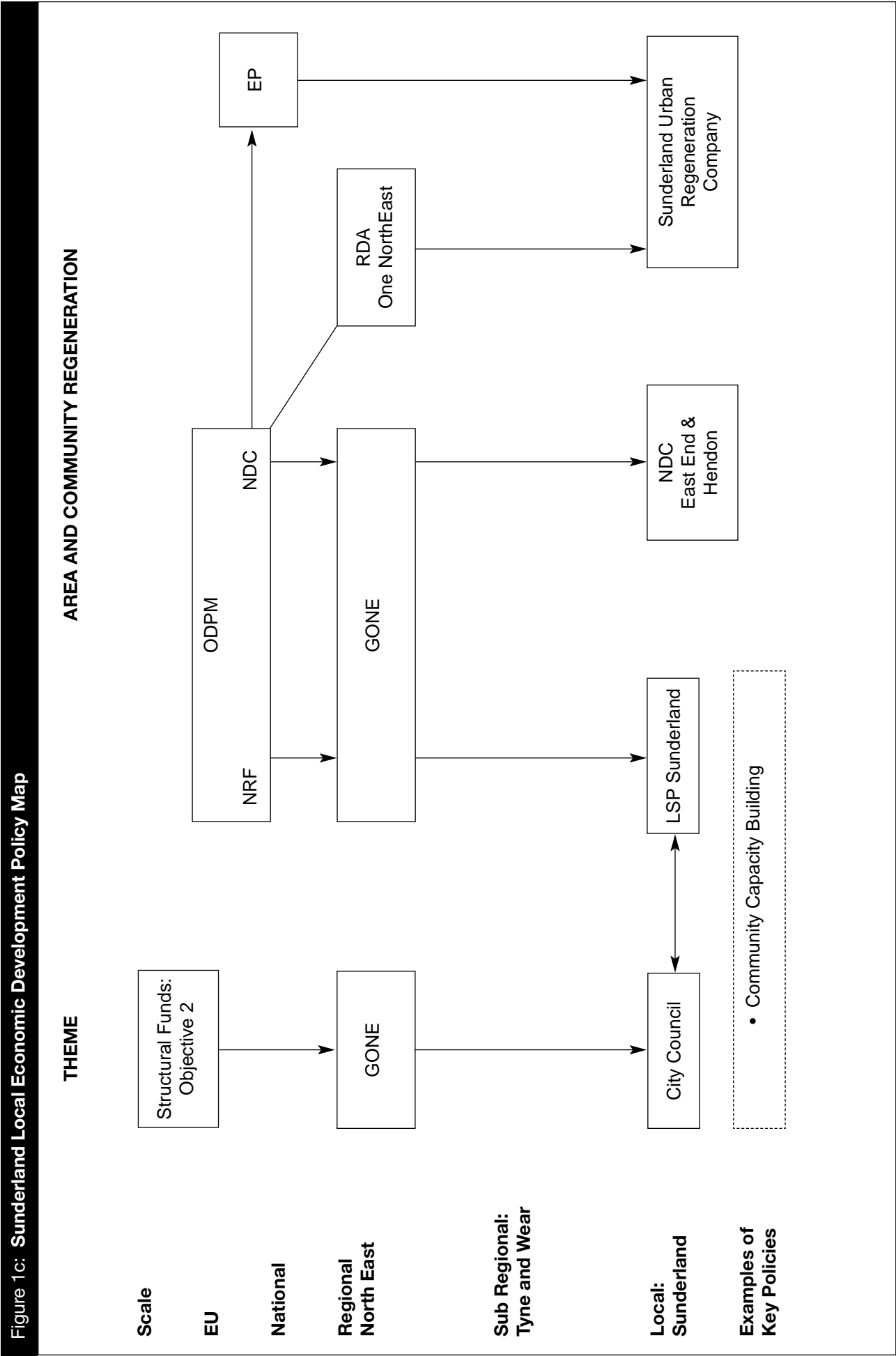
1.4.3 CONCLUSIONS

Sunderland has had a sustained commitment to local economic development and regeneration policies over several decades and has been a beneficiary of virtually all government programmes targeted at deprived areas. Whilst the local authority has probably committed more of its own resources to local economic development than most other authorities, it has nevertheless been heavily dependent upon EU and government funding streams. The case study illustrates well how the context for local economic development has changed in recent years, with a shift towards regionalisation on the one hand, and towards community driven neighbourhood level regeneration on the other. This is inevitably placing increasing demands on local authority officers in terms of their participation in different partnership organisations and in terms of trying to integrate and harmonise different aspects of local economic development. In particular, the Sunderland example shows the dissonance that exists between the economic development and business investment agenda and the economic and social inclusion one, with the former seen as the concern of the RDAs and the latter that of the LSPs. Many within the region see the sub-regional level as being the best level for bringing these different agendas together, although it is clear that it is proving difficult for the voluntary sector to relate to and operate at this level.

Please see page 255 for details of interview sources and references relating to this case study.







CASE STUDY 2

Oldham

2.1 Dynamics of the Oldham Local Economy

2.1.1 INTRODUCTION

The Borough of Oldham, which is part of the Greater Manchester sub-region, had a population of 217,273 in 2001, a decrease of 0.6 per cent since 1991. This overall trend disguises the fact that the more affluent eastern parts of the Borough have been experiencing demographic expansion while the decline has been concentrated in the west. It is a largely working class town, with many of the Borough's middle-classes living in Saddleworth which has stronger rail links to Manchester and Leeds than to Oldham. The Borough has a small ethnic minority population, mainly Asian/Asian British, which at 11.9 per cent of the population is considerably less than cities such as Leicester (36 per cent) or Bradford (22 per cent). This community has, however, grown from 8.7 per cent in 1991 and is predicted to reach 18 per cent in the next few years. It is largely concentrated in particular neighbourhoods, which supports a view of Oldham as being one of the most racially segregated towns in England, described as both a symptom and cause of the social unrest which emerged in 2001. The Borough also has a low proportion of pensioners (16.8 per cent) and a high proportion of young people, especially in the Asian community.

2.1.2 STRUCTURE OF THE OLDHAM LOCAL ECONOMY

According to Census (2001) data giving the employment of Oldham residents by industrial sector, Oldham's economy is dominated by distribution, hotels and restaurants (24.9 per cent), public administration, education and health (26.9 per cent) and manufacturing (20.3 per cent).

The main service sectors are retail (including home shopping), distribution and education and health. Nearly 4,000 are employed in home shopping, with four of the nation's largest mail order companies located in Oldham. The clustering of such companies in Oldham owes much to the availability of suitable accommodation in former cotton mills, a large pool of labour experienced in shift working and the Borough's strategic location on the national motorway system (Oldham Factfile, Oldham Economic Development).

The manufacturing sector accounts for 20.3 per cent of employment and despite ongoing decline, still employs above the national average of 14.8 per cent. Construction comprises 7.1 per cent of total employment. Manufacturing employment is spread across a number of sectors: the largest, both employing

over 2,000 people, being food products (2,370 jobs in 2002) and fabricated metal products (2,082).

In terms of size structure, the Borough is dominated by small businesses, with 71 per cent employing less than 10 people. Just 1 per cent of large employers with more than 200 employees account for 35 per cent of jobs (OMB 2001-2).

2.1.3 THE DYNAMICS OF CHANGE IN THE OLDHAM LOCAL ECONOMY

Table 2.1 Sectors experiencing employment decline 1997–2002			
Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Manufacture of machinery and equipment	1337	–1595	–54.4%
Manufacture of textiles	1371	–1189	–46.4%
Manufacture of medical instruments	447	–1081	–70.7%
Manufacture of other transport equipment	1079	–785	–42.1%
Manufacture of other non-metallic products	85	–744	–89.7%
Manufacture of rubber and plastic goods	1040	–526	–33.6%
Manufacture of apparel	474	–436	–47.9%
Manufacture of electrical machinery	744	–417	–35.9%
Hotels and restaurants	4990	–314	–5.9%
Manufacture of fabricated metal products	2082	–308	–12.9%

Source: Annual Business Inquiry

Table 2. 2 Sectors experiencing employment growth 1997–2002			
Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Retail trade	10441	2335	28.8%
Other business activities	5178	1973	61.6%
Health and social work	7573	1521	25.1%
Wholesale trade	5642	1431	34.0%
Public Administration	3754	1160	44.7%
Education	7564	584	8.4%
Construction	4528	399	9.7%
Real estate activities	1067	383	56.0%
Recreation, cultural and sporting activities	1655	350	26.8%
Manufacture of furniture	1730	303	21.2%

Source: Annual Business Inquiry

The recent evolution of the Oldham economy needs to be understood in the context of its socio-economic history, which is strongly linked to textile spinning and textile machinery and its decline. The textile industry was initially concentrated in Manchester, but as the city shifted to become predominately a trading centre manufacturing moved to surrounding towns such as Oldham. More than other northern towns, Oldham was particularly dependent on cotton; at one point 60,000 were employed in the industry. There was also a concentration on coarser cotton and less embroidery than was the case in nearby Bolton, for instance, where greater emphasis was given to quality and a more sophisticated product and the associated more advanced manufacturing support. These reasons help to explain why the Bolton economy developed in a more diversified fashion and is consequently more prosperous than Oldham.

A further aspect of Oldham's industrial history which is important in explaining the current situation is the particular role played by immigrant labour. During the 1950s and 1960s, the traditional workforce was leaving the cotton industry faster than it was contracting, resulting in labour shortages, particularly for evening and weekend working. The shortfall was met by immigrant workers from the Indian sub-continent, who found that they had arrived in Oldham 'to find they had jobs in an industry that was dying, and homes in a town with little tradition of either welcoming or tolerating outsiders' (URBED, 2004, p. 6). Following the large-scale mill closures of the 1960s most of the immigrant workers lacked the skills (including English language) to find alternative employment which, in any case, was limited. There were no strategies at the time for looking at what was needed to provide alternative employment and to upskill people. The specific issues concerning Oldham's ethnic minority communities will be further addressed below in the context of the deprived neighbourhoods.

There was a revival of Oldham's economy during the 1980s and early 1990s, as the M62 opened up new markets and many of the mills found alternative uses, notably for mail order businesses. The residual manufacturing sector includes Ferranti (defence electronics), Zetex (electrical components), which was spun out from Ferranti/Plessey in 1989, and also a number of overseas companies and smaller hi-tech companies such as Digital Projection. Reductions in military spending – the 'peace dividend' – have had a significant impact on the town's defence and electronics industries, while the manufacturing sector has been further weakened by a number of other companies deciding to end production (eg Siemens Metering, Osram, and Seddon Atkinson).

Tables 2.1 and 2.2 show the main changes that have occurred to the employment structure of the Oldham economy over the 1997-2002 period, based on Annual Business Inquiry (ABI) data which is collected at the workplace. This shows that nine of the ten largest reductions in employment were in manufacturing sectors, with three sectors each shedding more than 1,000 jobs over this period: manufacture of machinery and equipment (-1,595); textiles (-1,189); and medical instruments (-1,081). Apart from furniture manufacture and construction, which increased their employment by three and four hundred jobs respectively, the growing sectors included a range of different types of services. Over 2,000 additional jobs were created in retailing over the five year period, together with almost 1,500 in the wholesale trade. The public services have also been an important source of new jobs, with more than 3,000 being created in health and social work, public administration and education. And business services has also been expanding, with nearly 2,000 jobs in 'other business activities'. Overall, the number of jobs in Oldham increased by 2.9 per cent over the 1997-2002 period, the decline in the manufacturing sectors being more than compensated for by the growth in a range of service sectors.

In spite of Oldham's success in diversifying and restructuring its economy, employment continues to be concentrated in business sectors which are forecast to decline nationally and many of which are low wage and require few skills. On a number of indicators Oldham continues to lag behind other districts in the region. Data on the number of VAT registered businesses in Oldham show that there was hardly any change over the 1994-2003 period (-0.2 per cent), compared to a 9.2 per cent growth in the business stock in England as a whole. However, the VAT registration rate over the 1997-98 to 2002-03 period averaged 28.7 registrations per 10,000 adult population. Whilst this is below the national average rate of 40.7, it is higher than that in three of the other case study areas (Mansfield, Newham and Sunderland). The fact that the overall size of the business stock has not increased suggests that the deregistration rate is at the same level as the registration rate, suggesting a high level of churn amongst what appear to be fairly marginal businesses in terms of their viability.

A recent 'competitiveness index' for greater Manchester shows that Oldham ranks second lowest of all Greater Manchester districts, although it should also be noted that five of Oldham's 20 wards are in the top quartile (URBED, 2004). A further recent study, focused on clusters of specialisation with growth potential (URBED, 2004), suggests that Oldham lacks any real specialisation in 'the knowledge economy' (defined as including five main groups of activities: Environmental Technologies, Life Sciences, Finance and Professional, Computing and Software, Creative and Media).

2.1.4 EMPLOYMENT AND WORKLESSNESS

Based on data from the Population Census, the unemployment rate in Oldham fell from 6.0 per cent of the 16-74 aged population in 1991 to 3.7 per cent in 2001. Table 2.4 shows the ward level unemployment rates for 2001 which vary from highs of 7.2 per cent and 6.5 per cent (for Coldhurst and Werneth respectively) to lows of 1.9 per cent and 2.0 per cent (for Saddleworth East and West respectively). More recent data, based on Claimant Count figures, gives an unemployment rate for Oldham in July 2004 of 2.9 per cent, the same as the regional rate.

Table 2.3 Economic activity rates of the 16-74 year old population, 2001

Area	ER (%)
Alexandra	52.9
Chadderton Central	69.4
Chadderton North	68.7
Chadderton South	66.9
Coldhurst	50.0
Crompton	69.2
Failsworth East	69.4
Failsworth West	63.6
Hollinwood	58.7
Lees	62.6
Royton North	69.6
Royton South	70.8
Saddleworth East	71.5
Saddleworth West	72.1
Shaw	71.0
St. James	66.0
St. Marys	54.6
St. Pauls	62.8
Waterhead	69.9
Werneth	50.4
Oldham	64.9

Source: Census, 2001

Table 2. 4 Unemployment rates and the proportion of long-term unemployed (16-74 year olds), 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Alexandra	6.1	29.0
Chadderton Central	2.4	24.4
Chadderton North	2.5	31.9
Chadderton South	3.0	25.7
Coldhurst	7.2	29.3
Crompton	2.1	21.0
Failsworth East	2.8	25.1
Failsworth West	3.3	31.2
Hollinwood	4.8	30.9
Lees	4.5	35.4
Royton North	2.2	23.9
Royton South	2.6	18.1
Saddleworth East	1.9	27.5
Saddleworth West	2.0	26.0
Shaw	2.8	25.6
St. James	5.2	30.7
St. Marys	6.2	27.0
St. Pauls	4.3	25.7
Waterhead	3.2	32.4
Werneth	6.5	32.0
Oldham	3.7	28.4

Source: Census, 2001

Amongst the unemployed population there is a significant number of long-term unemployed (28 per cent), although this is slightly below the proportion nationally (30 per cent). In addition, 9 per cent of the 16-74 aged population at the time of the 2001 Census had never worked, which is the same as the proportion nationally.

According to the Population Census, the level of economic activity within the 16-74 aged population has fallen relative to the national average. In 1991, the level was similar to the national average (67.8 per cent compared with 67.2 per cent) but by 2001 it had fallen below the national average (64.9 per cent compared with 66.9 per cent). Another source of more recent data, based on the DWP data relating to the Government's PSA floor targets, shows that Oldham's employment rate in 2001-02 was 72.7 per cent, slightly below the national rate of 75.0 per cent. However, the employment rate for the ethnic minority population was especially low, 37.6 per cent, compared to 57.4 per cent for ethnic minorities nationally.

In terms of the reasons for economic inactivity, Oldham has a lower proportion of people who are inactive because they are retired or students than is the case nationally, but a higher proportion who are inactive because they are permanently sick or disabled (21.9 per cent of inactives compared with 16.0 per

cent nationally). The proportion who are inactive because they are looking after the home and family is similar to that nationally.

Average gross weekly earnings (according to New Earnings Survey data) in Oldham in 2002 were significantly below both the North West and Manchester averages: £386.40 in Oldham compared to £426.57 in the North West and £445.41 in Manchester. The equivalent hourly rates of pay in 2002 were £9.51, £10.74 and £11.32 respectively. Oldham is therefore a relatively low wage economy within the context of its region and sub-region. Another indication of the relatively low income levels within Oldham is the proportion of the population on income support: 11.8 per cent of the 16-74 aged population in Oldham compared with 9.2 per cent in England (Census 2001). In four wards, the proportion exceeds 20 per cent (Coldhurst 22.4 per cent, Alexandra 22.2 per cent, Hollinwood 20.7 per cent, and Werneth 20.1 per cent).

2.1.5 EDUCATION AND SKILLS

The Oldham workforce is characterised by relatively low skills and education; according to the 2001 Census 37.7 per cent of residents aged 16-74 had no qualification, significantly greater than the average for England (28.9 per cent). In four wards, the proportion of the population with no qualifications exceeds 50 per cent, (Coldhurst 54.6 per cent; Alexandra 52.0 per cent; St Marys 51.0 per cent; and Werneth 50.0 per cent). Only 12.9 per cent of Oldham's working age population have qualifications at GNVQ level 4/5, compared with 19.9 per cent in England as a whole. However, there are marked differences at the ward level, with almost a third (31.7 per cent) of the working age population having level 4/5 qualifications in Saddleworth East, compared with just 6.5 per cent in Hollinwood.

Table 2.5 Highest level of (NVQ) qualification, for those aged 16-74, 2001

Area	Pop. 16-74	No quals.	Level 4/5
Alexandra	7149	52.0	6.6
Chadderton Central	7972	34.3	13.6
Chadderton North	7376	32.3	14.5
Chadderton South	7095	38.5	8.9
Coldhurst	7396	54.6	7.3
Crompton	8205	30.9	15.5
Failsworth East	7855	34.9	9.7
Failsworth West	7068	41.6	7.7
Hollinwood	6507	49.0	6.5
Lees	7180	39.8	11.1
Royton North	7841	31.9	15.3
Royton South	7566	32.6	14.0
Saddleworth East	9703	19.7	31.7
Saddleworth West	8361	24.1	23.5
Shaw	7640	31.0	15.0
St. James	6666	42.0	7.8
St. Marys	7091	51.0	7.5
St. Pauls	7291	42.4	11.3
Waterhead	9181	34.5	12.0
Werneth	7459	50.0	9.6
Oldham	152602	37.7	12.9

Source: Census, 2001

2.1.6 STRENGTHS, WEAKNESSES AND POTENTIAL OF THE OLDHAM ECONOMY

A key weakness of Oldham's economy is that it has continued to attract many jobs that are low skill and low paid, and also that a significant proportion of available employment is seasonal in character, including in food, clothing and mail order catalogues. While the ready availability of flexible and seasonal work has advantages for some groups, particularly for women, it is also seen to interact with and reinforce low aspirations and low educational attainment, as such employment offers little incentive or opportunity for advancement and upskilling. At the same time, however, some of the large employers also report being unable to fill vacancies 'at any levels with a variety of skills'.

With respect to private sector investment, there is seen to be considerable potential, given the availability of land and a good transport infrastructure, and some presence of higher value-added technology/knowledge based business activity. Some interviewees, however, felt that levels of inward investment were limited in comparison to other neighbouring areas. The difficulties and challenges facing the town are also made greater by a highly competitive geographical context: Oldham is one of eight major towns around Manchester each with populations of 70,000-100,000, and each supporting a major town centre and seeking to attract inward investment.

Although Oldham has tended to under perform in terms of business start-ups, small business and entrepreneurial activity is said to be on the increase, assisted in particular by recent targeted support interventions, including from Business Link and the recently established Asian Business Association. Interviewees identified start-ups as tending to be in areas such as sewing and packaging, but with some examples of diversification into higher value-added niche/specialist markets. The culture and leisure sector is seen to have particular potential for wealth creation, especially given Oldham's burgeoning young population. It has been suggested that distinctive clusters could include the media, performing arts, urban/youth music and Asian performance and visual arts (URBED, 2004). With regard to social enterprise activity, interviewees felt that this has been limited to date, although a Social Enterprise Programme has recently started.

Much of the town's built environment is unattractive and in poor condition, particularly the areas of Victorian terraced housing and also estates built in the 1960s and 1970s, which are characteristic of the most deprived areas. Improving the 'liveability' of Oldham is seen to be an important aspect of regenerating Oldham ward which the Housing Market Renewal Programme is aimed at addressing (see below).

There are a number of regeneration programmes/projects involving some £200m of public and private investment over a period of ten years. The main investment sites are around the Hollinwood junction of the M60 Manchester Outer Ring Road, the town centre, and target areas which cover the Borough's most deprived wards. Some of the main programmes are:

- The New Deal for Communities (NDC) programme is focused on Hathershaw and Fitton Hill, an area to the south of the town centre, with £87m of Central Government, European and Lottery money to spend between 2002-12 on regeneration. This is aimed at improving council and private housing stock, removing barriers to employment, supporting businesses and creating jobs.
- £20m from Round 6 of the Single Regeneration Budget to be deployed between 2001-08 to support regeneration along the Manchester Road corridor in Werneth and Hollinwood, and parts of Failsworth and Chadderton.
- European funding of £8m is available until 2006 for economic development initiatives in the central wards around the town centre which have been designated an Economic Development Zone.

'Oldham Beyond'

Oldham Local Strategic Partnership and the Northwest Development Agency have commissioned a large-scale study to develop a strategic vision and strategy for the renaissance of the Borough, encompassing its people and communities, economy, transport, housing market and physical environment (URBED, 2004). The study has included consultation with over 2,000 people in the Borough and represents a bold attempt at developing a masterplan to address the problems facing Oldham.

Three potential scenarios for the future are identified, the first of which, 'business as usual', is not seen as viable or attractive, entailing as it does ongoing economic decline and polarisation of the community. The two main options developed are the 'Greater Manchester' scenario which entails 'riding on the back of Manchester's renaissance' and the 'Oldham renaissance' scenario which emphasises Oldham's distinctive character and potential for revival as an independent town.

The future for Oldham is envisaged as involving elements of both these latter approaches. A flavour of the resulting vision of Oldham in 15 years time is given by the selected extracts in the box below:

A Vision for The Borough of Oldham

- "Oldham Town Centre will be a hotbed of creative and knowledge industries where talented people are attracted from elsewhere because of the convivial environment and affordable accommodation."
- "[...] there will be a much broader ethnic mix throughout the borough. There will, however, be neighbourhoods that remain Asian in character. These will become part of Oldham's appeal because their shops and restaurants attract people from across the borough and further afield."
- "[...] some of the terraces will have been redeveloped to reduce densities and create more suburban housing. A focus on design quality and sustainable development will have marked the borough out for its attractive and innovative housing."
- "The renaissance of the borough will therefore happen through a virtuous circle – a more skilled population with better jobs – increased spending power – a resurgence of the town centre and more money in the local economy – more jobs because the borough is more attractive to entrepreneurs and inward investors – an improved image attracting even more talented people etc..."
- "The borough will have invested in sustainability and the benefits will not just be to the environment but to Oldham's people and its economy. Housing market renewal will have radically improved the energy efficiency of the housing stock and reduced heating bills for some of the poorest households. Companies in the borough will have found new markets in environmental industries such as recycling, remanufacturing and renewable energy."
- "The new Oldham will be viewed differently by its people – they will be proud to live and work in the borough and willing to be active citizens. The council will have encouraged this by devolving further power and responsibilities to the local level and encouraging a range of organisations and partnerships to flourish."

Source: URBED (2004), *Oldham Beyond – A Vision for the Borough of Oldham* – April 2004, p. 4-5.

2.2 Characteristics of Deprived Neighbourhoods

Area	Score	Rank
Alexandra	70.19	83
Chadderton Central	26.22	2468
Chadderton North	24.57	2725
Chadderton South	39.79	1134
Coldhurst	70.82	75
Crompton	18.53	3852
Failsworth East	26.55	2405
Failsworth West	33.34	1642
Hollinwood	58	307
Lees	44.99	816
Royton North	19.38	3683
Royton South	20.84	3398
Saddleworth East	8.14	7041
Saddleworth West	13.84	5077
Shaw	22.52	3076
St. James	56.77	338
St. Marys	68.59	103
St. Pauls	43.84	890
Waterhead	36.8	1359
Werneth	70.45	80
Oldham	38.87	38

Source: ONS

Table 2.6 shows the deprivation scores and ranks for wards in the Borough. Three wards fall within the 100 most deprived wards nationally. Thirty six per cent of wards in Oldham are within the 10 per cent most deprived nationally. Multiple deprivation is particularly concentrated around the central wards: Alexandra, Coldhurst, Hollinwood, Lees, St. Mary's, St. James', St. Pauls', Werneth. Particular attention is also given below to the Hathershaw and Fitton Hill neighbourhoods, which are targeted for NDC support, and also Glodwick, the target of SRB 3.

The previous section summarised the socio-economic history of Oldham including with respect to its ethnic minority population which has particular origins in the textile industry. The racial tensions in Oldham culminated in the social unrest of 2001; the Richie Report was aimed at explaining the underlying causes of the tensions and on focusing subsequent efforts to addressing them. The ethnic minority population is largely concentrated in particular neighbourhoods: the non-white community being 58 per cent of the Werneth ward, 56 per cent of Coldhurst, 41 per cent of St Mary's, 38 per cent of St Mary's (including Glodwick) and 27 per cent of St Paul's. Although there are a combination of problems in the most deprived wards, there is a general consensus that the civil unrest was particularly triggered by a perception that

some areas with large Asian communities had monopolised most of the public resources targeted at regeneration. The wards of Westwood and Glodwick, for instance, both have a high proportion of ethnic minority residents and were also the first two SRBs. The sense of social division is reflected by the fact that the ethnic minority population of Oldham has tended to occupy certain areas characterised by high density terraced housing (67 per cent of Oldham's housing stock is in the form of Victorian terraces). The policy response to this has been to target subsequent regeneration efforts in such a way that they cannot be seen as largely favouring particular ethnic groups and thus fostering resentment. Hence the NDC programme is focused on an area that is predominantly white – Hathershaw and Fitton Hill – while the latest SRB6 covers a large area that encompasses a number of white estates and also areas of terraced housing that are largely Asian. Provision of a greater variety of housing in deprived neighbourhoods (eg in Westwood) is seen as an important part of the solution to social divisions.

As shown in Section 2.1.4 above, there are high levels of economic inactivity in these deprived wards, much of it related to the high proportion of the population on sickness or disability benefits. As one interviewee with direct experience of working in deprived neighbourhoods expressed it:

“It’s not that they can’t work – its that they’ve been left for so long that they’ve lost a lot of the skills and you are starting from rock bottom with them and you have all the motivational things to go through – they might have drug and alcohol dependency problems, they’ve been living in hardship quite a long time, the skills that they maybe had when they worked are out of date, so they have low skills, low self-esteem. The original illness that they came off work with – they certainly haven’t got it now – its probably moved on from that [...] it takes a very co-ordinated approach to looking at how we support them – so that’s my theme...”

A significant proportion of available employment is low skill, low paid and also seasonal in character, notably in food, clothing and home shopping. One example here is Park Cakes Bakery (a subsidiary of Northern Foods) located in Hathershaw and one of the largest employers in the NDC area with a workforce of over 1,000. This business undertakes a substantial amount of work for large food retailers which is highly seasonal (eg Christmas and Easter related products) and can therefore take on anything between 500 to 1,000 staff for short periods of time to cope with such seasonal fluctuations. Also referred to as a typical employer was a business located in a large mill near Fitton, which does a lot of ‘finishing’ work for British Home Stores (BHS) (ie T-shirts are imported in big bales which need to be finished, folded and packed for retailers). Other local employment in deprived neighbourhoods mentioned was in catering, textiles (sweatshops), and taxi services.

A further factor is that people are reluctant to travel far; for this reason Jobcentre Plus (JCP) has initiated outreach work in deprived wards/neighbourhoods. Some people are limited to the extent they are able to travel by care commitments, particularly ethnic minority residents. JCP also talks to parents to help young people find a bus route to work, “so that they feel that they are protected – on the way to work – these are not simple issues”.

Interviewees emphasised how low aspirations and low skill levels appear to combine to restrict the economic potential of deprived neighbourhoods, and that it was very difficult to break this cycle. Individuals who have some success in improving their qualifications and in gaining more supervisory type jobs (eg in catering) with a reasonable income tend to move out of the deprived neighbourhood where they then see themselves as being 'middle class', with better housing and better jobs.

Interviewees also provided insight into the role played by informal networks in accessing employment. Ethnic minorities in particular tend to rely on word-of-mouth from family or extended family members for finding out about employment opportunities. This was seen as the main explanation for the ethnic segregation that is a feature of some workplaces in Oldham (rather than the deliberate intention of employers); examples were given of Littlewoods, where most of the workforce is Bangladeshi, and Park Cakes Bakery, which is mainly Pakistani. For many employers also, word-of-mouth via a trusted member of staff is seen as the easiest way of recruiting.

Some larger local employers have been involved in more concerted efforts to recruit employees from ethnic minority communities, eg Work Readiness Programmes developed by the local authority with three training providers. Programme participants are guaranteed an interview and many have subsequently found jobs.

In summary therefore, the persistence of deprivation in particular neighbourhoods appears to be explainable in terms of the nature of the housing market, the low expectations and low educational attainment of resident populations, and the nature of the employment which is most readily available together with the limited availability of alternatives.

2.3 Case Study of Deprived Neighbourhoods: Hathershaw and Fitton Hill

The New Deal for Communities (NDC) programme is focused on Hathershaw and Fitton Hill, an area to the south of the town centre, with £87m of Government, European and Lottery funding to spend between 2002-12 on regeneration. Hathershaw is predominantly terraced housing and therefore tends to have an older population – it also borders Glodwick, which has a high proportion of ethnic minority residents. Recent years have also seen an influx of ethnic minorities moving into terraced properties in Hathershaw. The condition of the housing stock is very poor, hence the area has been targeted for Housing Market Renewal funding.

Fitton Hill was a council housing estate built in the late 1960s/early 1970s. This was originally an area of open space much used by people from Hathershaw, a factor which has apparently further contributed to resentment and division between the two communities. The estate has undergone many changes and is now owned by Villages Housing Association. The resident population has high unemployment, low educational attainment, high teenage pregnancy rates, drugs related problems, high crime, and is perceived to be a BNP stronghold,

with a population that is predominantly white. There is a sense that these problems are deeply entrenched – whole families live there ‘forever’. On the other hand, there are also pockets where the population is highly transient/migratory. Hathershaw has a lot of private landlords, with many empty properties boarded up and unsellable/unlettable, or where they let the property to ‘anybody’. Many local shops are reported as having closed in recent years, with many of the properties still boarded up, or struggling and in decline. This is of concern because there is a greater need for small shops in deprived neighbourhoods, particularly for the less mobile and there is no big supermarket in the area (“most people round here wouldn’t have a car”). These factors all contribute to an environment that has been in decline over a number of years.

Many of the NDC initiatives are aimed at raising educational expectations and helping people with confidence and key skills to enable them to get back into employment. Interestingly, the NDC interviewee spoke of her teams experience of peoples’ expectations of employment being raised, so that rather than working in a factory they now aspire to employment which they see as more rewarding, such as in schools as care assistants or youth workers. Other initiatives have focused on getting young people into work, particularly in the construction sector where there is currently a severe shortage of skilled workers. However, employers generally require a cash subsidy before taking on and training young unemployed people.

2.4 Co-ordination and Integration of Policy Strategies and Economic Initiatives

2.4.1 GOVERNANCE ARRANGEMENTS FOR ECONOMIC DEVELOPMENT ACROSS DIFFERENT SPATIAL SCALES

Oldham is still recovering in the aftermath of the civil disturbances of 2001 and this is affecting the approach that is being taken with regards to local economic development policy. The key players are very aware of the issues involved and the findings of the public enquiry (Ritchie Report). This has led to a number of key responses:

- There has been a pause for reflection amongst public policy agencies, whilst care is taken to consider the right way forward for Oldham. NWDA has taken the lead in partnership with the local authority and LSP to create a ‘Vision’ document for Oldham, described as a ‘masterplan’ for economic development (see 2.1.6).
- The Ritchie Report appears to have made public policy agencies aware of the problems of area based and demographic targeted initiatives (eg specific SRB projects) which appear to benefit parts of the community rather than everyone. With the exception of the NDC in Oldham, there is now a concerted effort amongst local economic development agencies to take a borough-wide view and to be as inclusive as possible – notably through the workings of the LSP and Vision document.

- The local authority appears to have concluded from the Ritchie Report that Oldham should have a borough-wide Urban Regeneration Company (URC) which could act as the lead local economic development body. There is also some concern that regeneration resources within the sub-region are being concentrated on the neighbouring area of East Manchester, which has its own URC, at the possible expense of Oldham.

The policy maps found at the end of this section are separated into the three broad themes. Being within an Objective 2 area, Oldham qualifies for EU Structural Funds as well as the DTT's Assisted Area schemes. As part of the Greater Manchester conurbation, much of the EU and central government funding for local economic development is channelled through the Greater Manchester offices of either the Northwest Regional Development Agency (NWDA) or the Government Office for the North West (GONW). In terms of area based regeneration initiatives, Oldham has obtained funding under several schemes, including the New Deal for Communities and most recently as one of the pathfinder areas for the Housing Market Renewal Fund.

There has been a considerable amount of local economic development activity in Oldham in recent times. The LSP estimates that over £200m per year is spent in the Borough through various specialist and mainstream funds, and is currently investigating the extent to which mainstream funds can be 'bent' to the specific needs of the locality.

Oldham MBC is a key player and has a 'hands-on' approach, being responsible for the direct delivery of some local economic development services including business support (mainly European Regional Development Fund (ERDF) and SRB funded projects), town centre improvements, and industrial estates. It has recently undergone structural change leading to a more co-ordinated, Regeneration Department (including the current Economic Development Team) with a wider remit including traditional commercial land and premises work as well as social-economic policy (eg SRB work and community cohesion under NRF) and the Housing Renewal Team to handle the 'Housing Market Renewal Fund' (HMRF) pathfinder work. It will develop bids and work closely with the LSP to develop strategy and policy.

Key funding streams relating to the Council's wider economic development activities include:

- SRB3 and 6 (£20m to 2008), operating in various parts of the Borough, mainly in the south west corner
- Economic Development Zone (EDZ, ERDF funded £8m to 2006), focused on town centre improvements
- HMRF pathfinder pilot funding in Oldham (£2.66m first year, £4m second year and probably more to come) – this is viewed as a major, wide reaching regeneration funding source for the Borough
- Neighbourhood Renewal Funds (£9m over 2 years)

- Lottery Funding for a healthy living centre £1.2m
- Millennium funds
- 4 Sure Starts worth £9m over 14 years

The NWDA Single Programme funds have been used to assist the purchase of large sites for redevelopment in and around Oldham with a view to attracting major employers to them. Investment in key transport links and skills training are seen as being necessary in order to provide the much needed employment opportunities for Oldham residents.

The LSC operates at a sub-regional level (ie Greater Manchester), its annual funding being around £265m, the vast majority of which goes to colleges. Most of the LSC's funding is ring-fenced with limited opportunities to bend funds to address specific local needs. The LSC's Local Initiative Development (LID) is £11.7m and provides a limited amount of discretionary funding for local areas such as in Oldham. This has been used, for example, to help fund voluntary sector delivery of basic skills training and learning capacity building for organisations and individuals.

2.4.2 DEGREE OF HORIZONTAL AND VERTICAL CO-ORDINATION AND INTEGRATION OF POLICY

(a) Sub-regional level

There is a considerable degree of partnership working taking place in Oldham as well as across Greater Manchester as a whole, and the evidence is that this is on the increase. However, one of the problems that Greater Manchester faces is that there are few local economic development organisations operating at the wider metropolitan scale and that there is little coincidence between the geographical boundaries of key organisations. On the one hand this puts a premium on partnership working, but there are some concerns about the need to rationalise the organisational structure. The overall structure of organisations within the Greater Manchester sub-region is as follows:

- the NWDA has a sub-regional office for Greater Manchester which in turn is divided into north and south area teams
- the GONW has a Greater Manchester office
- Greater Manchester LSC divides the metropolitan area into 6 sub-areas of which one is Oldham and Rochdale
- there are ten thematic Learning Partnerships operating under the LSC which are intended to become the learning and skills parts of the ten LSPs
- there are ten Local Authorities (LAs) operating alongside ten LSPs
- the Association of Greater Manchester Authorities (AGMA) is the metropolitan-wide strategic voice for the ten Local Authorities

- there are two Business Links – North Manchester (which includes Oldham) and South Manchester

(b) The local level

In addition to Oldham MBC, two key local players are the NDC and HMRF pathfinder. A particular concern here has been the difficulties of achieving joined-up working between the local authority and the NDC. The NDC has been perceived as being ‘out on a limb’ and has encountered a number of difficulties in relating to the local governance and management structure. Whilst the NDC has wanted to be autonomous from the Council, it has found that it has been unable to deliver projects without the Council’s support and skills (eg in relation to land and physical environment issues). Overall, the Council is much happier with the organisational structure for the HMRF programme as they will have a more integral role in this (eg a seat on the board) and that this will fit in better with the LSP and community partnership working.

Some interviewees considered that a particular weakness of the existing governance structure was the lack of a ‘local economic strategy group’ as part of the LSP. They argued that this was needed in order to help organisations working at the neighbourhood level to see the bigger picture and to see how their role fitted in. It would also be a way of trying to engage the business sector in economic development and regeneration initiatives, as the private sector has proved notoriously difficult to involve in the past.

There are concerns raised by GONW that strategic partnership working in relation to local economic development does not always include the LSC and Business Link (BL) as much as might be expected, given the importance of their functional responsibilities. There is implied partnership working through the attendance of LSC and BL staff at metropolitan-wide themed meetings and locally at LSPs, but it was thought that attendance at the local level could be patchy and in some need of strengthening.

There appears to be increasing scope for local participation in developing local economic development policy within Oldham. The NWDA sponsored ‘Vision for Oldham’ is taking the lead in trying to ensure that the way forward for local economic development in the Borough is as inclusive as possible through a wide range of community activities.

Although the Oldham LSP has been delayed in producing its Local Community Strategy, it appears to be well established at community level with a wide range of themed groups contributing to its activity. Three key factors may shed some light on the extent to which local participation can affect local economic development policy:

- whether the Borough can get an URC in some form – there is discussion about NWDA sponsoring a watered down version
- the LSP is keen to investigate the extent to which mainstream funding across the panoply of economic development activities can be made transparent and ‘bent’ according to the wishes of the LSP

- there is considerable interest in the HMRF programme which could potentially bring large funds on-stream with widespread impact on the Borough. It is initially believed that this will have a more workable balance between community involvement and the LA than has been the case with the NDC

2.4.3 CONCLUSIONS

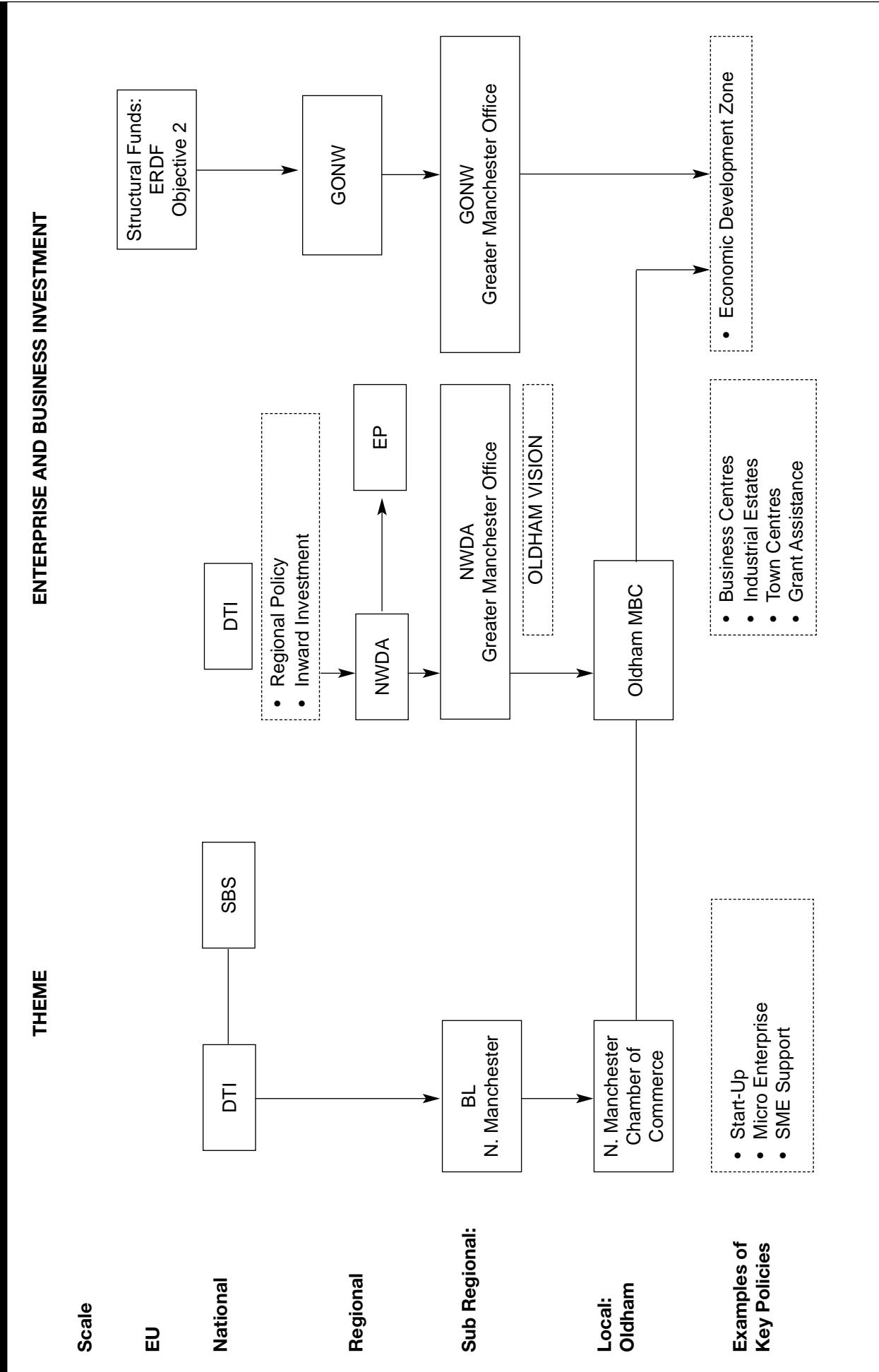
Greater Manchester contains a complex, somewhat tangled hierarchy of local economic development agencies and partnerships which do not naturally fit together. Despite some rationalisation (eg creating 10 local Learning Partnerships, one for each LA), this can still lead to confusion and poor co-ordination of strategies and local economic development activities, notably at the borough scale where LSC, BL, RDA and government officers do not always take the opportunity to meet and review strategies.

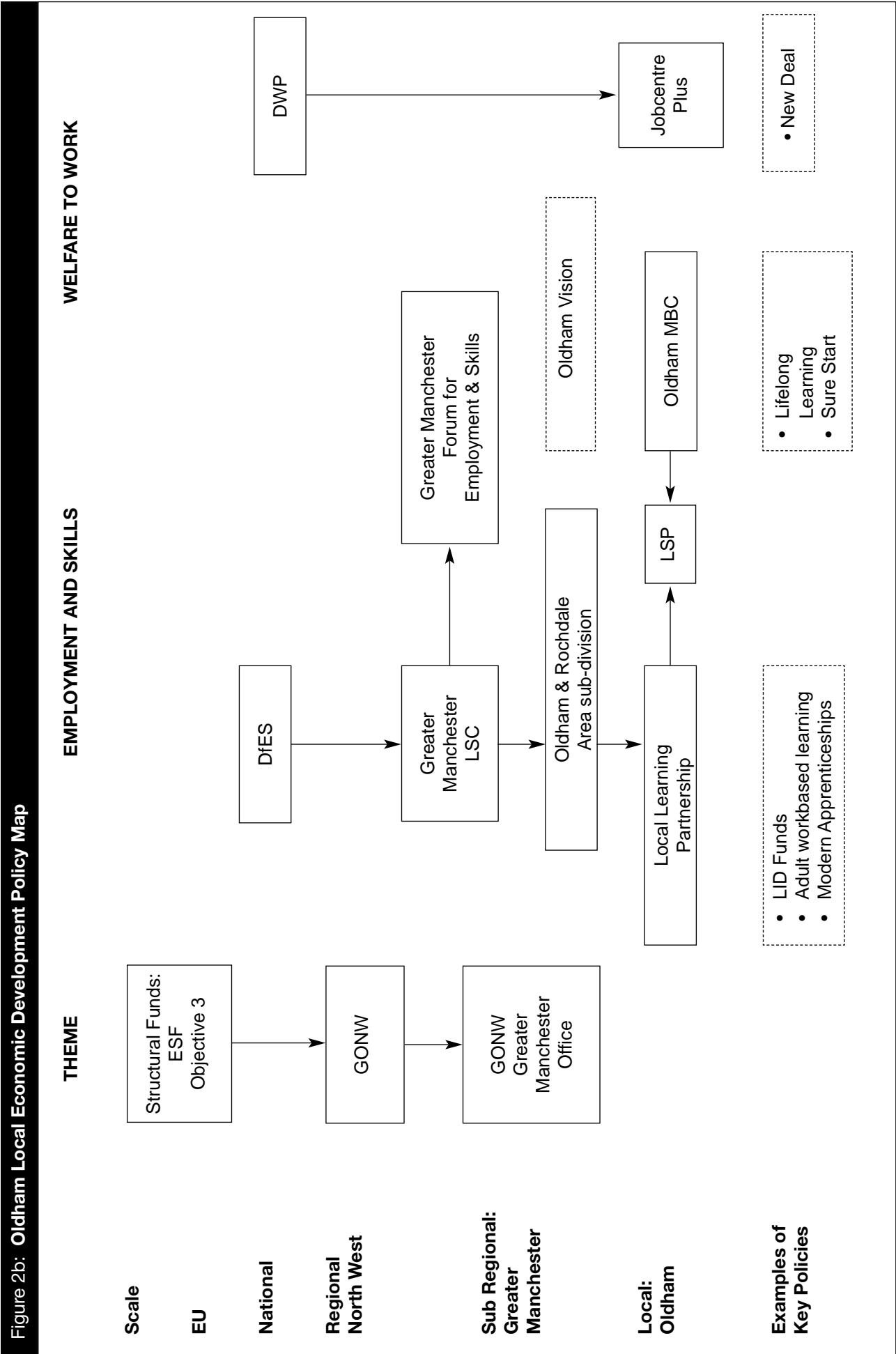
There appears to be limited contact between Oldham NDC and other key local economic development agencies in the Borough. The HMRF programme, which will directly involve the LA, appears to represent a better working model for Oldham's wider regeneration than the NDC approach and there is a great deal being expected of this programme.

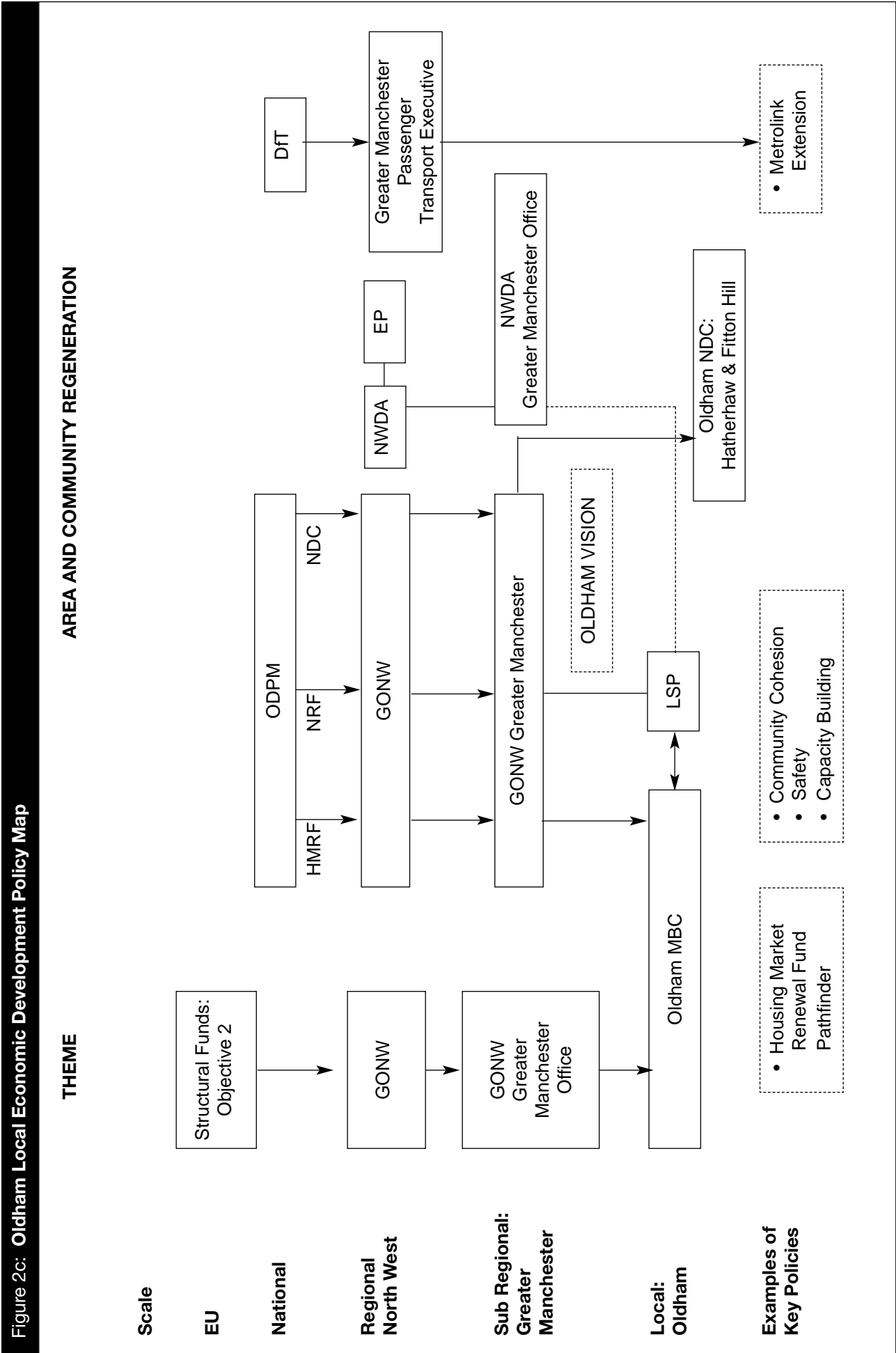
The Ritchie Report suggests that transport and housing will be key elements in Oldham's regeneration strategy for the future. It also recommends wider, all inclusive local economic development activity in the borough, which has led to the call from the Council for a URC with a borough-wide function which would take the lead on regeneration policy and implementation (under the LSP strategy).

Please see page 255 for details of interview sources and references relating to this case study.

Figure 2a: Oldham Local Economic Development Policy Map







CASE STUDY 3

Mansfield

3.1 Dynamics of the Local Economy

3.1.1 INTRODUCTION

Mansfield is located at the centre of what is still referred to as the North Nottinghamshire coalfield area and is the major town serving this area to the north of Nottingham. The Mansfield District Council (DC) area had a population of 98,181 in 2001, a 3.4 per cent decrease from the 1991 population of 101,600. The population is largely white (98.3 per cent) with no significant ethnic minority groupings.

3.1.2 STRUCTURE OF THE LOCAL ECONOMY

The local economy is dominated by three sectors in terms of employment; distribution/hotels and restaurants/retail (27.7 per cent); manufacturing (22.7 per cent) and the public sector (17.7 per cent) (1999, Annual Business Inquiry). The business structure is dominated by SMEs, with 79 per cent of employment accounted for by employment units employing less than 200 employees. In 2002, of the firms based in Mansfield DC area, 77 per cent employed less than 10 workers (7,479 employees), 19 per cent employed between 11-49 (11,598 employees), 3.6 per cent employed between 50-199 (8,843 employees) and 3.6 per cent employed over 200 (7,455 employees).

Service sector employment is focused within retail (18 per cent of employment units within Mansfield DC employing 6,894 people in 2002), hotels and restaurants (7.2 per cent of units employing 2,533) and wholesale (4.8 per cent of units employing 2,094). Employment units within Mansfield DC operating in the financial and insurance industries accounted for 69 units employing 878 people, whilst other business activities employed 3,016 across 344 units. Overall employment across the banking and finance sector within the Mansfield travel to work area (TTWA) of 13.3 per cent of the total local workforce is well below the national average of 19 per cent.

Despite ongoing decline, the manufacturing sector (22.7 per cent) still employs above the national average (15.7 per cent). Figures for 2002 indicate that manufacturing employment is spread across a number of sectors including metal products (556 employees), rubber and plastic goods (555 employees), basic metals (430 employees), electrical machinery (414 employees), food products (383 employees), furniture (340 employees), machinery and equipment (305 employees), textiles (279 employees) and publishing and

printing (270 employees). In terms of the construction industry, 11 per cent of employment units within Mansfield operate within this sector employing a total of 2,500 people.

Employment in the public sector (17.7 per cent) is below the regional and national average of 23.7 per cent. Public sector employment is focused within health (3,745 employees), education (2,562 employees) and public administration (1,030 employees). This includes three major employers in terms of the hospital (Kingsmill), District Council, and the FE College (West Notts).

Since the late 1970s, the local economy has witnessed the long-term decline of coal-mining and traditional manufacturing industries such as textiles and engineering. Such changes reflect broader long-term trends within the sub-regional economy and indeed national economy. The formerly dominant coal-mining industry has all but disappeared. In 1984 there were 43 pits employing a total of 50,000 people within the North Nottinghamshire and North Derbyshire coalfield area, with 16,500 of these employed in 13 pits in the broader Mansfield TTWA, and 3,800 employed within Mansfield itself. By 2004, following the recent closure of the Clipston colliery with the loss of a further 1,300 jobs, only two pits were in operation within the Mansfield TTWA employing less than 1,000 people, and only a few hundred within Mansfield itself. This dramatic decline in the coal-mining industry has had a major negative impact upon a range of ancillary industries as well as upon service industries through the loss of such a large number of relatively well paid jobs.

The decline of the textile industry has been similarly dramatic and remains ongoing, with a further 3,000 jobs lost in textile manufacturing within the North Nottinghamshire/North Derbyshire sub-region in 1999-2000. Within Mansfield DC this once significant industry is now of little significance with firms based within Mansfield employing less than 300 people. Engineering industries have also seen a major decline, much of which was associated with the closures of the coal mines, although decline in this sector has stabilised in recent years.

Tables 3.1 and 3.2 show the main changes that have occurred to the employment structure of the Mansfield economy over the 1997–2002 period. Overall, total manufacturing employment within Mansfield DC fell by 1,900, providing evidence that the long-term trend of manufacturing decline is still ongoing. Job losses were concentrated within textiles where there was a 73 per cent decrease (789 jobs), leather tanning (-78 per cent/326 jobs), furniture manufacture (-62 per cent/561 jobs), food products (-50 per cent/391 jobs) and metal products (-43 per cent/418 jobs). However such losses were partially offset by employment growth in manufacturing sectors such as rubber and plastic goods (+72 per cent), non-metallic products (+63 per cent), basic metals (+177 per cent) and electrical machinery (+104 per cent), producing a total of some 800 jobs across these sectors. The construction industry also saw employment growth of 17.5 per cent between 1997 and 2002.

Recent employment growth within the Mansfield economy has been concentrated within relatively low value added and low paid service sector activity. Between 1997 and 2002 employment increased by 70 per cent in wholesale trade (an additional 862 jobs), by 44 per cent in retail trade (+2,118 jobs), 29 per cent in sale and repair of motor vehicles (+274 jobs) and 26 per

cent (+519 jobs) in hotels and restaurants. However, public administration and education declined by 44 per cent and 22 per cent respectively with a loss of 1,540 jobs across the 1997-2002 period.

3.1.3 SECTORAL CHANGE IN THE LOCAL ECONOMY

Table 3.1 Sectors experiencing employment decline 1997–2002			
Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Public administration	1030	–799	–43.7%
Manufacture of textiles	279	–789	–73.9%
Education	2562	–741	–22.4%
Manufacture of furniture	340	–561	–62.3%
Manufacture of fabricated metal products	556	–418	–42.9%
Manufacture of food products and beverages	383	–391	50.5%
Tanning/dressing of leather	92	–326	–78.0%
Financial intermediation	581	–180	–23.7%
Insurance and pensions	58	–176	–75.2%
Collection and distribution of water	4	–174	–97.8%
Publishing and printing	270	–172	–38.9%

Source: Annual Business Inquiry

Table 3.2 Sectors experiencing employment growth 1997–2002

Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Retail trade	6894	2118	44.3%
Wholesale trade	2094	862	70.0%
Other business activities	3016	564	23.0%
Hotels and restaurants	2533	519	25.8%
Construction	2532	378	17.5%
Other service activities	753	366	94.6%
Manufacture of basic metals	430	275	177.4%
Sale and repair of motor vehicles	1220	274	29.0%
Recreation, cultural and sporting	950	199	26.5%

Source: Annual Business Inquiry

3.1.4 EMPLOYMENT AND WORKLESSNESS

Table 3.3 Economic activity rates of the 16-74 year old population by ward, 2001

Area	ER (%)
Berry Hill	66.5
Birklands	56.6
Broomhill	60.6
Cumberlands	55.1
Eakring	67.8
Forest Town East	58.2
Forest Town West	71.4
Grange Farm	67.4
Ladybrook	60.5
Leeming	67.4
Lindhurst	60.4
Meden	56.7
Oak Tree	62.4
Pleasley Hill	58.8
Portland	66.2
Priory	66.2
Ravensdale	56.4
Robin Hood	58.2
Sherwood	58.9
Mansfield	62.3

Source: Census, 2001

Table 3.4 Unemployment rates and the proportion of long-term unemployed (16-74 year olds) by ward, 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Berry Hill	2.0	21.8
Birklands	4.7	29.9
Broomhill	5.0	35.9
Cumberlands	5.7	26.4
Eakring	3.7	28.3
Forest Town East	3.7	27.0
Forest Town West	2.7	29.6
Grange Farm	3.3	21.8
Ladybrook	5.3	24.4
Leeming	3.0	32.2
Lindhurst	4.7	37.7
Meden	4.4	27.5
Oak Tree	4.4	29.7
Pleasley Hill	6.1	31.2
Portland	6.2	28.0
Priory	4.5	27.1
Ravensdale	8.7	29.9
Robin Hood	4.3	32.4
Sherwood	4.3	27.2
Mansfield	4.4	29.2

Source: Census, 2001

From a peak of 13 per cent in 1993, unemployment has fallen significantly, to 5.1 per cent by 2000 and 4.0 per cent by 2004. These recent falls in unemployment have followed sub-regional and national trends and unemployment levels still remain above the regional and national average. Amongst the unemployed population there is a significant number of long-term unemployed (29 per cent) and 9 per cent who have never worked (Census, 2001). Unemployment disproportionately affects the younger age group with nearly half of the total unemployed being aged less than 30. There are also higher rates of female unemployment for those under the age of 25, with this group accounting for 37 per cent of total female unemployment whereas for males this accounts for only 30 per cent. Table 3.4 shows the ward level unemployment rates for 2001 which vary from a high of 8.7 per cent to a low of 2.0 per cent.

Despite employment growth (between 1996 and 2001 some 3,500 jobs were created through inward investment and business growth) economic activity and employment rates remain significantly below the regional average. The economic activity rate (the percentage of the working age population who are available for work) in 2001 was 62.3 per cent, significantly below the rate for the East Midlands (79.3 per cent). (Table 3.3). Furthermore, between 1998-2001 the economic activity rate fell by 8.5 per cent, compared to a fall of 0.5 per cent in the East Midlands. The employment rate in Mansfield District was 67.9 per cent of the working age population in 2001 compared to an East Midland average of

75.7 per cent and again showed a decline between 1998-2001 of 3.1 per cent, compared to no change within the East Midlands region.

Within Mansfield high levels of worklessness remain. The issue of what Beatty et al (2002) term 'hidden unemployment' is particularly pertinent in former coalfield areas such as Mansfield. Beatty et al (2002) calculate much higher levels of 'real' unemployment in such areas, particularly due to the large number of sickness claimants which has resulted not only from the negative effects upon health as a consequence of the coal-mining industry, but also by the diversion of claimants onto sickness benefits, thus lowering the official rate of unemployment. Under their calculations, the official rate of unemployment in Mansfield of 4.5 per cent in 2002 rises dramatically to a level of 'real' unemployment of 15.7 per cent. The principal sickness benefit, Incapacity Benefit (IB), is claimed by around 8,000 in Mansfield, and in the most deprived wards of Mansfield those in receipt of IB often account for over 10 per cent of the working age population compared to a national average of just 4 per cent.

The Mansfield economy is predominantly a low wage economy and recent employment growth has reinforced this characteristic. Average weekly earnings in the Mansfield TTWA were £336.4 in 2000, significantly lower than the East Midlands average of £371.4, although there is evidence that this gap closed slightly across the 1996-2000 period. The combination of high levels of worklessness and low wages means that average household incomes remain significantly below regional and national averages. In consequence, in 2000 there were 7,355 claimants of Income Support in Mansfield, accounting for 7.3 per cent of the total population.

3.1.5 EDUCATION AND SKILLS

Table 3.5 Highest level of (NVQ) qualification, for those aged 16-74 by ward, 2001

Area	Pop. 16-74	No quals.	Level 4/5
Berry Hill	4452	23.1	22.7
Birklands	4249	45.5	6.3
Broomhill	3083	42.9	8.0
Cumberlands	3044	51.5	5.0
Eakring	4702	34.5	9.0
Forest Town East	3425	41.6	8.0
Forest Town West	4713	28.4	11.3
Grange Farm	3304	35.5	12.7
Ladybrook	3093	44.2	6.9
Leeming	4836	32.0	11.9
Lindhurst	3135	33.9	14.0
Meden	4404	43.4	6.9
Oak Tree	4575	35.4	10.1
Pleasley Hill	2771	44.5	6.7
Portland	3103	34.8	11.6
Priory	3203	36.3	9.4
Ravensdale	2817	45.7	8.0
Robin Hood	4964	45.3	6.6
Sherwood	2637	38.6	11.7
Mansfield	70510	38.2	10.0

Source: Census, 2001

The Mansfield workforce is characterised by relatively low levels of skills and education. The 2001 census revealed that 38.2 per cent of the Mansfield resident population had no qualifications (compared to 29.1 per cent for England and Wales) and only 10.0 per cent were qualified to degree level or higher (compared to 19.8 per cent for England and Wales). School educational achievement is low with a resulting poor level of basic skills. Results for Mansfield show educational attainment at Key Stage 2 consistently lower than the Nottinghamshire average, with 69 per cent of pupils achieving level 4 or above at Key Stage 2 in 2000, compared to a Nottinghamshire average of 76 per cent. Educational attainment at GCSE level shows a similar ongoing gap in performance, with only 34 per cent of year 11 pupils achieving five or more A-C grades at GCSE level, compared to 44 per cent in Nottinghamshire. Underachievement is particularly notable in certain schools, often located in the more deprived areas, which exhibit poor results and high levels of exclusion.

Vocational skill levels are also low. Adult skill levels in 1999 at NVQ level 3 were 25.4 per cent, and at NVQ level 4, 10.6 per cent, compared to the East Midlands average of 38 per cent and 20 per cent respectively. This low level of vocational skills partly reflects that higher quality vocational training previously took place largely within the coal industry. With the decline of the coal industry, and in the absence of strong national schemes for vocational training, many vocational skills have been lost to the local economy. Given the tightening of the labour

market and the relatively low levels of vocational skills there is increasing evidence of difficulties attracting people with the right skills to work in certain sectors such as engineering, printing, construction and textiles.

3.1.6 BUSINESS START-UPS

During the 1990s business formation rates broadly followed the national trend, with the exception of the 1991-94 period when formation rates increased rapidly. This was principally the result of mine closures which released a significant number of skilled workers with capital available via redundancy payments, to set-up new businesses. Figures for VAT registrations indicate that between 1998-2003 Mansfield experienced an above average rate of business formation, with a 44.7 per cent increase across this period compared to average figures for the East Midlands of 30.3 per cent, and nationally of 30.6 per cent. Recent new business start-ups are now emerging predominantly from those in employment and are generally service sector related.

Using VAT registration data to indicate levels of entrepreneurship reveals that in 2002-03, Mansfield had a rate of 23.7 new VAT registrations per 10,000 population, significantly lower than the average for England (38.5).

3.1.7 THE INFORMAL ECONOMY

The informal economy plays an important role within the Mansfield local economy, particularly with regard to sustaining the livelihoods of the large numbers of low income households. According to the interviewees there exists a very highly developed network to supply informal goods and services (eg car maintenance; cigarettes, building work, etc). Whilst such informal economic activities are important to people 'getting by' on low incomes, they also reinforce problems of low quality and low skills within the local economy, and act to reduce the supply and demand for higher quality services and more highly qualified jobs. The social economy within Mansfield remains relatively poorly developed, with one credit union and only a small number of community enterprises in operation.

3.1.8 STRENGTHS AND WEAKNESSES OF THE MANSFIELD ECONOMY

At the centre of the weaknesses of the Mansfield economy are the interrelated problems of low educational achievements, low skills and low income. High levels of worklessness reflect the failure to create more new jobs. With limited growth sectors and in particular, the failure to create better paid and more highly skilled service sector jobs, the local economy remains heavily reliant on a manufacturing sector subject to continued intense global competition and often dependent on sub-contracting activities, and low paid service industries. This lack of better paid jobs and career development opportunities has resulted in population decline, particularly dramatic amongst the younger and better qualified element of the population, leading to an ageing and shrinking workforce. A further difficulty stressed by nearly all respondents is that of the low aspirations and expectations of a considerable section of the population.

The weaknesses of the Mansfield economy strongly reflect the fundamental weaknesses evident within the broader North Nottinghamshire/North Derbyshire sub-regional economy. Here a similar low productivity, low value added and low income economy is evident, with problems of low levels of basic skills, pay and aspirations, and a lack of sectoral diversity and higher value growth sectors. The sub-region also experiences problems in terms of its peripheral location to the 'golden triangle' of Nottingham, Derby and Leicester and to the Objective 1 area of South Yorkshire when competing for footloose investment, as well as the lack of a major city, with characteristics such as a university and teaching hospital, to drive the sub-regional economy.

The strengths of the Mansfield economy in terms of attracting mobile inward investment again reflect those of the broader sub-region comprising a cheap labour force, a central location with good north-south links via the M1, and the availability of development incentives. Mansfield itself has an additional strength and future development opportunity in terms of an accessible, well managed and fairly vibrant town centre that serves a significant part of the sub-region and provides 12,000 jobs within the leisure and retail sectors. The Mansfield/Ashfield regeneration route, a key infrastructure investment from Nottinghamshire County Council, also provides future development opportunities, and the relative success of the Business Innovation Centre indicates that smaller and higher value added enterprises in printing, web design and manufacturing innovation can develop in an appropriate business environment. Mansfield's well developed local partnerships between public and private sectors are a further major asset. These have developed over many years in seeking to confront the major economic and social problems that the area has faced (see 3.4.3).

3.2. Economic Problems of Deprived Neighbourhoods

3.2.1 DEPRIVED NEIGHBOURHOODS IN MANSFIELD

Table 3.6 shows the deprivation scores and ranks for wards in the Borough. In 2001 Mansfield had seven wards (Birklands, Meden, Cumberlands, Ladybrook, Northfield, Pleasley Hill and Titchfield) within the 10 per cent most deprived wards in England. In addition there are other pockets of deprivation which are hidden statistically by their proximity to more affluent areas. Of the seven wards Northfield was ranked as the most deprived ward (151 out of 8,414) with Birklands the least deprived of the seven, (ranked 788).

Table 3.6 Multiple index of deprivation (2001) by ward

Area	Score	Rank
Berry Hill	21.53	3268
Birklands	45.46	788
Broomhill	40.29	1097
Cumberlands	50.09	560
Eakring	28.63	2165
Forest Town	33.63	1606
Ladybrook	46.44	735
Leeming	25.57	2571
Lindhurst	35.54	1447
Manor	27.7	2262
Meden	50.78	534
Northfield	65.78	151
Oak Tree	38.82	1211
Oakham	14.32	4913
Pleasleyhill	55.09	385
Ravensdale	41.93	999
Sherwood	44.03	876
Titchfield	48.92	608
Mansfield	38.94	37

Source: ONS

3.2.2 CHARACTERISTICS OF DEPRIVED NEIGHBOURHOODS

All the deprived neighbourhoods exhibit similarities in terms of relatively high levels of unemployment and worklessness, low rates of economic activity and employment, and low levels of household income and skills and education (Table 3.7). Populations are largely white, with no significant ethnic minority groupings. Populations tend to be declining and comprise a high proportion of long-term residents, although there is often an incoming younger population of varying significance.

Despite these strong basic similarities there are also some significant differences. For example, unemployment rates vary significantly from 3.8 per cent in Cumberlands to 7.3 per cent in Northfield, whilst those receiving income support accounted for 11.1 per cent in Northfield and only 7.2 per cent in Meden. These differences arise from a number of factors. Particularly important is the issue of accessibility. Whilst job search is highly localised in all these neighbourhoods, some are relatively better located in terms of accessing jobs in the town centre or other key employment sites. The quality of the housing stock and built environment is another important factor, with this a major problem in certain neighbourhoods (eg Northfield), but much less so in others (eg Ladybrook). Finally the extent of stability within the population is also important, with some neighbourhoods characterised by a very stable population (eg Meden), and others showing greater instability both in terms of people

moving away from the neighbourhood and a younger incoming population highly dependent on state benefits (eg Northfield & Titchfield).

Table 3.7 Selected Economic Indicators of Deprived Wards in Mansfield				
Ward	Unemployment (%) (2001)	Long-term unemployment (%) (2001)	Income support (%) (1999)	Migration (per thousand) (1998–99)
Birklands	4.3	0.5	7.5	–8.2
Cumberlands	3.8	0.7	8.2	–11.6
Ladybrook	5.3	0.5	9.1	–10.4
Meden	4.3	0.6	7.2	5.0
Northfield	7.3	1.1	11.1	–17.6
Pleasley Hill	5.2	0.6	10.6	–12.4
Titchfield	5.7	0.4	9.9	22.1
Mansfield	4.0	0.5	7.1	–1.6

Source: Mansfield Area Strategic Partnership (MASP) (2001) A Strategy for Neighbourhood Renewal in Mansfield, Mansfield, MASP.

The economic problems of the deprived neighbourhoods in Mansfield have their roots in the rapid decline of the coal-mining industry, as well as a similar large employment decline in traditional manufacturing activity such as textiles. One legacy of this industrial restructuring is above average rates for those who have taken early retirement and those claiming IB, which provides the basis for high rates of economic inactivity.

The subsequent evolution of these neighbourhoods has been driven principally by processes of residential sorting. Following job losses, the more employable elements of the population have moved away, whilst via both market mechanisms and public housing allocation policies, low cost and generally low quality housing stock has attracted low income individuals and households often reliant on state benefits. Such a process can create a downward spiral, with a worsening built environment encouraging higher levels of vandalism, crime and anti-social behaviour which thus makes such areas less attractive to existing and potential residents.

3.2.3 CULTURES OF WORK AND WORKLESSNESS

The past economic structure of the local economy continues to have a lasting legacy not only economically, but also socially and culturally. The legacy of a period when a single employer, British Coal, was the dominant employer remains significant to current economic development in a number of ways. These include a tradition of one large ‘paternalistic’ employer as a source of guaranteed employment for those already working within coal-mining and also as a source of social provision, especially housing. In addition there is a lack of a

culture of enterprise and self-employment, a tradition of relatively low level of formal educational attainment with specialist skills obtained within employment, a strong gender division of labour and tradition of patriarchal relations, and an expectation that employment is located close by to the place of residence. Perhaps the most significant result of a traumatic transitional period characterised by persistent levels of high unemployment and low levels of economic activity across a twenty-year period, is the low expectations of a significant proportion of the population.

For certain sections of the population there is a 'culture of worklessness', with no or limited experience of employment extending across generations, and an expectation of 'getting by' on various forms of benefits, supplemented by various forms of informal economic activities. For others, employment is associated with low paid, semi-skilled employment with limited opportunities for career progression. High levels of teenage conception in part reflect that getting pregnant, and hence gaining priority access to council housing, is seen by some as a route forward out of the domestic and school environment. For those who have never worked by their mid 20s, there are considerable problems in integrating them into the labour market. Although such cultures of worklessness are found within the coalfield sub-region generally, they are particularly prevalent in the most deprived neighbourhoods within Mansfield.

3.3 Case Studies of Deprived Neighbourhoods: Northfield and West Titchfield

3.3.1 NORTHFIELD

The Northfield ward is situated to the north west of Mansfield Woodhouse Town Centre. It has a population of just over 1,000 in about 430 households and is the most deprived ward in Mansfield District. Those receiving income support is approximately double the national average (141 per 1,000 compared to 69 per 1,000) and there are also high rates for those receiving Incapacity and disability Benefits. The neighbourhood has a young population, with 27 per cent aged under 16, well above the District average and national average (19.8 per cent) and high levels of teenage pregnancies. The area is primarily residential comprising an interwar estate and older colliery housing, and there are considerable problems with a run down physical appearance and a significant number of boarded up vacant properties, as well as problems with crime, drug abuse and lack of provision for young people.

Recent Evolution

The current problems of the Northfield neighbourhood are rooted in past mine closures that initiated a vicious cycle of decline principally via a process of residential sorting. The end result has been that it has become an undesirable place to live characterised by a poor physical appearance. As one respondent put it "people used to put their names down to move in ... now they put their names down to move out".

Residential properties in the area were formerly owned by British Coal, but were subsequently sold off to individuals (approximately 30 per cent) and Mansfield DC (70 per cent). The closure of the nearby mine began a process of outmigration, a process further exacerbated by the subsequent availability of new build properties under an SRB scheme in a nearby neighbourhood. The result was an increasing number of properties left vacant, which were subsequently let out on short term six month tenancy agreements with private landlords exercising no control over the nature of tenants. Increasing numbers of boarded up vacant attracted vandalism and added to a sense of an area in decline.

Such change has splintered the traditional community that characterised the area. The result is a community comprised of a mix of a minority of long-term, older residents and a much larger new population that tends to be younger, including many single mothers, and in receipt of state benefits.

Jobs and Employment

The neighbourhood is characterised by levels of unemployment nearly twice the average of Mansfield District (7.3 per cent against 4.0 per cent), but also by low levels of economic activity (35 per cent) associated with a high level of claimants for state benefits including Incapacity and disability Benefits. Levels of education and skills are very low with many lacking basic skills. There are a relatively small number of employers actually based within the Northfield ward, a total of 125 employment units employing 956 people in 2002, and the resulting jobs are predominantly low paid. The majority of employment units are in retail (25 employing 95), and others important in terms of employment are construction units (150 employees), restaurants (124 employees) and a small number of manufacturing industries (124 employees). With travel costs high relative to low paid jobs and limited public transport, much job search is very localised.

According to interviewees, there exists a significant paid informal economy to supplement benefit income. This particularly involves casual work in nearby Lincolnshire such as vegetable picking and packing, and chicken processing.

Barriers to Work

According to interviewees with good local knowledge, a major barrier to improving levels of economic activity is the prevailing attitudes evident among certain groups. For many of those receiving benefits there appears little motivation to seek employment and an accepted dependency upon state support. With low levels of skills and only low paid jobs available, moving off of benefits appears to offer few financial advantages and creates a perceived risk of losing current benefit entitlements. There is also little willingness to travel either to complete training or for employment.

Other major barriers to work include the costs of transport relative to income from low paid jobs, as well as limited provision of public transport. Childcare is also a major barrier due to limited provision at affordable costs, an important factor given the high proportion of young mothers.

Responses

Northfield Estate has been the focus of a number of housing-related regeneration projects under the Mansfield Diamond Partnership's SRB1 programme. Under the current neighbourhood renewal strategy the focus of activity has been upon housing, improving security and youth activity, reflecting the concerns and priorities of the local population. There has, to date, been little emphasis upon economic development and employment. Programmes have included working with single mothers in a programme entitled 'working with children' funded under the Surestart and Homestart programmes. This introduced very basic childcare skills, but follow on training at West Notts College was limited due to problems of travel cost and childcare arrangements.

3.3.2 WEST TITCHFIELD

West Titchfield is located close to Mansfield town centre and forms part of the Titchfield ward. It has a population of over 1,100 in 500 households. It has particular problems in terms of low levels income and health, and a resulting reliance on state benefits, and high levels of crime and drug abuse. The area comprises both a residential area of dense terrace housing as well as an area of mixed residential and industrial use which suffers particular environmental problems. The population comprises residents of longstanding population and a more mobile incoming population resident in private sector rented property. The younger incoming population has resulted in a relatively youthful population with a high birth rate and a high rate of teenage pregnancies. There is also a small ethnic minority population.

Recent Evolution

Economically the West Titchfield area has suffered as a result of large scale decline within traditional sources of employment in the coal-mining and textiles industries. The resulting decline in housing demand has led to the development of a very low quality private rented accommodation sector, characterised by landlords who take little interest in the quality of their property. A very mobile element of the population has created instability and lack of long-term commitment to the neighbourhood. A number of empty boarded-up council houses in need of renovation, plus environmental problems related to former industrial usage, have added to the poor environment of the neighbourhood.

Jobs and Employment

The neighbourhood is characterised by levels of unemployment above the average of Mansfield District (5.7 per cent against 4.0 per cent), but also by a high level of claimants for state benefits such as Incapacity Benefit (10 per cent) and disability living allowance (8.2 per cent) and income support (12.8 per cent). Whilst the economic activity rate is relatively high (47 per cent) this is predominantly in low skill and low income jobs which reflect its location close to the town centre. In 2002 the Titchfield ward contained a total of 538 employment units employing 8,699 people in 2002. These employment units are dominated by service sector activity notably retail (110 units employing 2,034), restaurants (54 units employing 635), construction (49 units employing 822) and health and social work (31 units employing 971). There is also a small number of manufacturing units. There are a significant proportion of single mothers with children who are not economically active. Much informal work is

based around reciprocal arrangements for childcare whilst there is also some paid informal home-working.

Barriers to Work

There are a number of basic barriers to employment within the area. First, low aspirations are prevalent, particularly amongst a significant proportion of the areas relatively youthful population. These are rooted within a context of industrial decline, low paid work and physical deterioration. The existence of a drug culture reinforces this lack of aspiration, whilst the better motivated and qualified move away from the area. Second, a benefits trap exists with low paid work offering little material advantage compared to continuing to claim state benefits. Finally, low levels of skills and education reflect the traditional working culture of the area that placed little emphasis upon formal education. These low levels of skills continue to limit opportunities to access better paid jobs and develop careers.

Responses

West Titchfield is currently being targeted under the Mansfield Diamond Partnership SRB4 programme. This programme has placed a particular emphasis upon community capacity building and environmental works. However, major problems of the area relate to the quality of the housing stock and the current Neighbourhood Renewal agenda can do little to tackle these problems. Neighbourhood Renewal in West Titchfield has focused attention on issues of community safety, improving the local environment and developing the capacity of the local community, with little emphasis on employment issues. There have been a number of training courses run locally in basic skills, computer skills and basic manual skills by West Notts College. Central to these activities has been the development of a Community Centre which is developing a more active role in terms of providing information on jobs and training in collaboration with Jobcentre Plus.

3.4. Co-ordination and Integration of Policy Strategies and Economic Initiatives

3.4.1 GOVERNANCE ARRANGEMENTS FOR ECONOMIC DEVELOPMENT ACROSS DIFFERENT SPATIAL SCALES

The Figures at the end of this section show the policy map relating to various aspects of the local economy of Mansfield, and are separated into three broad themes. The governance arrangements at the local and sub-regional/regional level will be discussed in turn.

Local

The key institutions involved in the strategic development and delivery of local economic development and neighbourhood renewal within Mansfield are Mansfield District Council and the Mansfield Area Strategic Partnership (MASP). These two bodies work closely together and with a number of other key local institutions in the development of strategy and delivery. These include

Mansfield 2010, MANSKEP, Business Link and Jobcentre Plus, as well as the Community and Voluntary Sector Forum and West Notts College.

Mansfield DC has both an economic development section and an urban regeneration section. The economic development section has responsibility for developing and implementing the authority's Economic Development Strategy. Its key areas of activity comprise innovation (through the Mansfield-i centre), investment, business support, business services and property services. The urban regeneration section focuses upon three main areas; neighbourhood regeneration (NRF and SRB based programmes), heritage regeneration, and urban regeneration projects, particularly related to infrastructure projects and town centre renewal.

The Local Strategic Partnership, MASP, evolved out of a broad based, Mansfield area based partnership drawing partners from the public, private, voluntary and community sectors, which was originally formed in 1999. MASP has an independent Chair and eight partner groups covering the key issues and services, including one for economic development, as well an additional Neighbourhood Management Development Group which co-ordinates activities across the five neighbourhood renewal areas.

Mansfield 2010 was set up in 1990 in response to the decline in the textile and coal industries to provide a collective voice to promote socially and environmentally sustainable economic development for the North Nottinghamshire coalfield area. Mansfield 2010 is a public-private partnership of local businesses (currently over 150) and a range of public sector organisations such as Mansfield District Council, Nottinghamshire County Council and West Notts College. It aims to help the private and public sectors to work together in the pursuit of economic development through lobbying for national and EU funds for transport and physical infrastructures and promoting networking activities.

Mansfield 2010 currently co-ordinates the economic development partnership within the Local Strategic Partnership. It also works closely with MANSKEP (Business Enterprise Support Team), a local enterprise agency charged with raising awareness of new business opportunities and providing support to new and existing businesses to survive and grow via advice and mentoring. MANSKEP and Mansfield 2010 also work closely with the local Business Link, and all three operate out of the same building.

Jobcentre Plus provides help and advice to people of working age who are seeking work and, where appropriate, supports them with benefits. There is growing awareness in the locality that Jobcentre Plus can organise job recruitment in a manner that helps and supports the local community – not just in terms of jobs but also ensuring they get the right benefits. West Notts Further Education College is a strongly community oriented FE institution which plays a key role in the delivery of skill related initiatives.

Sub-Regional/Regional

At the regional/sub-regional level the key agencies are EMDA (East Midlands Development Agency) and its decentralised Sub-Regional Partnership (Alliance

SSP), GO-EM (Government Office for the East Midlands) and Nottinghamshire County Council.

EMDA (East Midlands Development Agency) is the Regional Development Agency for the East Midlands. EMDA has established seven business-led Sub-Regional Partnerships (SSP) to deliver its overall Regional Economic Strategy. It is therefore an important actor via its funding of Alliance SSP and via its past control of SRB funds. Alliance SSP, the North Derbyshire and North Nottinghamshire Sub-Regional Strategic Partnership started operation in mid 2002. It forms part of the overall sub-regional strategy of EMDA's Regional Economic Strategy, and is funded with resources devolved from EMDA plus largely pre-committed SRB and Rural Priority Area funds.

Alliance SSP covers a former coalfield area, with a population of 700,000 based in two major towns, Mansfield and Chesterfield, and many rural villages. Its aim is to raise GDP levels by £1.5bn by 2010 within the sub-region whilst ensuring the benefits of income growth are spread widely across all communities. It has three key areas of operation: (1) the business environment – developing a larger and more diverse economy; (2) enterprise and innovation – developing a more competitive and dynamic business base; (3) learning and skills – developing a highly skilled and adaptable workforce. It is the key sub-regional body having responsibility for administering SRB 5 & 6, ESF/ERDF programmes and for putting forward projects to GO-EM under the Investment Financial Envelope.

Other regional and sub-regional organisations include GO-EM which has extensive responsibility for transport, housing and the administration of Objective 2. For example, it has been via EU funding that a number of business start-up, business support and training initiatives have been supported. Nottinghamshire County Council remains an important actor, in areas such as education and transport and via its European contacts, and has been important in the development of the Mansfield Ashfield Regeneration Route.

3.4.2 KEY STRATEGIES AND POLICY INITIATIVES

Local Economic Development Strategy

Mansfield's local economic development strategy produced by Mansfield DC reflects the close working relationship with MASP and is clearly aligned to MASPs Community Strategy. In seeking to promote Mansfield's economic development, the emphasis is strongly upon social inclusion as well as economic growth, which includes explicit recognition of the needs of the most deprived neighbourhoods. The principal targets of Mansfield's current economic strategy are:

- to reduce the unemployment rate to the regional average by 2006
- to increase participation in the workforce from 70 per cent to the national average of 76 per cent by 2006 (this requires tackling problems such as long-term illness, employment for single parents and the informal economy)
- to increase average weekly earnings (from 83 per cent to 90 per cent of the East Midlands average by 1996)

- to raise adult skill levels (from 25.4 per cent to 50 per cent for NVQ level 3 and from 10.6 to 28 per cent for NVQ level 4 by 2006, in line with national targets set in 2002)
- to increase the number of visitors to the district

These targets require the creation of an additional 4,500 jobs across the 2001-06 period. To meet these targets key objectives comprise the development of physical infrastructures, the development of the SME sector, an improved capacity of the local workforce and a greater culture of training and learning, and ensuring the district's attractiveness to external investors.

The overall business support and inward investment policy in Mansfield has seen a shift in focus away from maximising job creation on key strategic brownfield sites close to areas of unemployment, towards an emphasis upon the creation of quality jobs in the knowledge based and service industries and growing local businesses. Thus the economic strategy focuses on seeking to increase the percentage of higher income/value added industries by targeting business support to these companies, as well as to companies that meet the wider social, economic and environmental needs of the area. As well as explicit targets to increase adult skill levels, there is also recognition of the need to increase levels of education and skills throughout the population on a lifelong basis, and to shift the skills base from low, semi-skilled to more knowledge intensive industries.

A number of initiatives have been taken to try to ensure that physical and economic development projects are used to the benefit of those experiencing economic exclusion. For example, in recruiting employment to some of the new development sites, there has been a growing level of co-operation between Jobcentre Plus and the District Council, not only to ensure that employers get the workers they need but also that such recruitment also benefits those currently marginalised within the labour market. For example, recruitment to a new Tesco for 150 jobs saw Jobcentre Plus working with local partners to ensure that those within the local area would be prepared for and get an interview. A further major development is the regeneration of the Meden Valley, an area located to the north of Mansfield, which has lost substantial employment in the coal-mining and textiles industries. The Meden Valley Partnership is leading this initiative and the current emphasis is heavily centred upon improving the physical environment via a major housing renewal scheme.

Neighbourhood Renewal Strategy

As seven wards were classified within the 10 per cent most deprived within England, Mansfield received funding under the National Strategy for Neighbourhood Renewal for the period from 2001-04 of £5.2m. The strategy for Neighbourhood Renewal in Mansfield targeted five renewal areas and currently a second phase of neighbourhood renewal areas is being identified.

As part of its Neighbourhood Renewal Strategy MASP has pursued a strong community engagement strategy as advocated by the NR agenda. The result has been a strategy that reflects the communities priorities and hence an emphasis upon 'crime and grime' and also education and health. Economic development and jobs have not been seen as a top priority. At the neighbourhood level there

have been a number of basic skills courses associated with sectors such as construction and engineering where there are labour shortages.

Programmes that encourage employers to recruit from deprived areas have met with limited success as often the target group lack the appropriate basic skills and commitment to employment. The need to get the jobs and benefits services of Jobcentre Plus more accessible at the neighbourhood level has resulted in information being supplied to a number of focus points within the community.

Sub-Regional Economic Development Strategy

The Alliance SSP strategy emphasises the need to: raise average incomes; create a more highly skilled and motivated workforce; increase the number of high value activities to generate good quality employment opportunities; and diversify the sectoral mix of the economy (SSP, 2002). There is thus a considerable similarity between the objectives of the SSP strategy and those of Mansfield's local economic development strategy.

Activities of the Alliance SSP include the advancement of key development opportunities (45 per cent of its spending) including investment in key strategic sites (eg Markham, Brook Park), maximising benefits from nearby development (eg Finningley airport) and providing integrated inward investment, aftercare and business retention. In this they work closely with EMDA (eg in site identification, land assembly, accessing RSA and other grants) and local authorities. The SSP also works with SMEs (30 per cent of funding) which involves close working with Business Link, and tackling issues of low levels of skills (20 per cent of spending) working with Jobcentre Plus, the LSC, and local Colleges and Universities. The Alliance SSP has a developing relationship with Jobcentre Plus in terms of putting together employment packages for larger developments to ensure that local people at least get interviews for the newly created jobs.

3.4.3 DEGREE OF HORIZONTAL AND VERTICAL CO-ORDINATION AND INTEGRATION OF POLICY

A notable feature of the economic development strategy for the Mansfield local economy is that it is well developed, involving the active participation of a range of local actors and with a clear vision of seeking to link economic development with social regeneration. This approach towards local economic development has evolved out of the severe economic problems that the town has encountered as a result of the last 25 years of dramatic economic restructuring, and is underwritten by the existence of a broad political consensus concerning the need to tackle issues of economic and social deprivation.

At the centre of this approach in recent years is a mature and well-rooted area partnership that was originally formed in 1999 and subsequently transmuted into the current local strategic partnership (MASP). The economic development group of MASP incorporates active employer involvement (most notably via Mansfield 2010), whilst within the District Council there is close collaboration between the economic development and neighbourhood renewal functions. One actor that appears to be of growing significance is that of the Jobcentre Plus, which is becoming more actively involved in partnership working and in

terms of looking at ways of delivering its services to deprived communities more effectively. MASP has also played a key role in supporting the development of the Neighbourhood Management Teams. Despite some initial cynicism about them, these have got residents more involved and created a sense of collective ownership.

A further important feature of current governance arrangements is the relative weakness and low profile of the sub-regional partnership dimension compared to other economic development institutions and levels of intervention. This is in part the result of the relative recent creation of Alliance SSP compared to other organisations. However, some interviewees considered that it also reflected the peripheral location of the sub-region, limiting its ability to link into the dynamism of the Nottingham sub-region (see section 3.1.8). At the regional level this designated sub-region is clearly less attractive to inward investment than the priority growth area to the south, whilst to the north it also has to compete with the South Yorkshire area which can offer greater investment incentives as a designated Objective One area and as an area that qualifies for the highest level of Regional Selective Assistance.

The weakness of the sub-regional dimension has clearly limited the ability of Mansfield DC and MASP to link its actions into any clearly articulated sub-regional strategy. Given the relative lack of understanding of the economic needs and capacities of the sub-region it is currently difficult to integrate local and sub-regional economic activities. This factor is of some importance given the significance of the sub-regional level for key economic development issues, particularly those related to sites of future employment, enterprise growth and the improvement of skills and levels of productivity.

3.4.4 CONCLUSIONS

What is evident from economic analysis of deprived neighbourhoods in Mansfield is that, overall, the problems these neighbourhoods face are the same as those faced by the local and sub-regional economy more broadly. A lack of well paid jobs, low levels of skills and low aspirations are more general problems and their extent varies by degree, being more acutely apparent within more deprived areas. Consequently these problems need to be tackled not only locally but at higher sub-regional and regional levels. The current lack of strong sub-regional strategies and institutions is clearly one limiting factor in this respect.

At the local level, it is clear that employment growth is unlikely to take place close to areas with high levels of worklessness. The Oakham Business Park and Mansfield Business Innovation Centre show that higher value land and property developments in well located sites can be relatively successful, and the office market within Mansfield is also relatively buoyant. It is these types of developments that are more likely to generate the higher paid jobs and more diverse economic base that the current economic strategy seeks to attain. For deprived neighbourhoods this suggests the importance of actions to ensure that residents of such areas are at least in a position to compete for these jobs, in terms of knowledge about them, basic employment skills and receipt of support in overcoming barriers to employment. Recent examples of Jobcentre

Plus working with Mansfield DC and Alliance SSP to ensure that there is active linkage between sites of employment growth and those resident in areas with high rates of worklessness, appears one important route for this to happen.

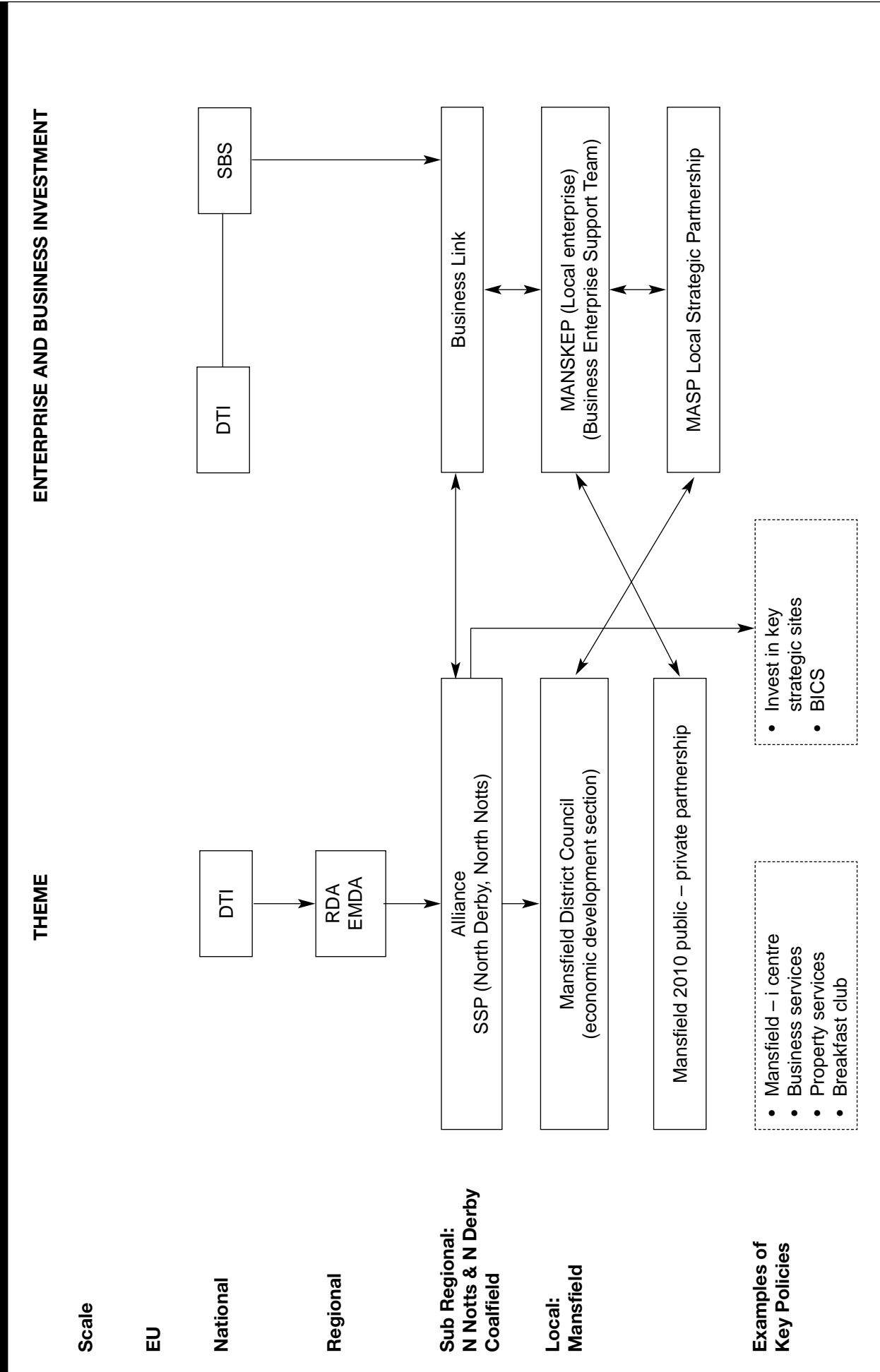
At the neighbourhood level, economic and employment issues have to date accounted for only a relatively small amount of activity. This reflects a lack of prioritisation of these issues by local people, but also less certainty about what can be usefully done at the neighbourhood level.

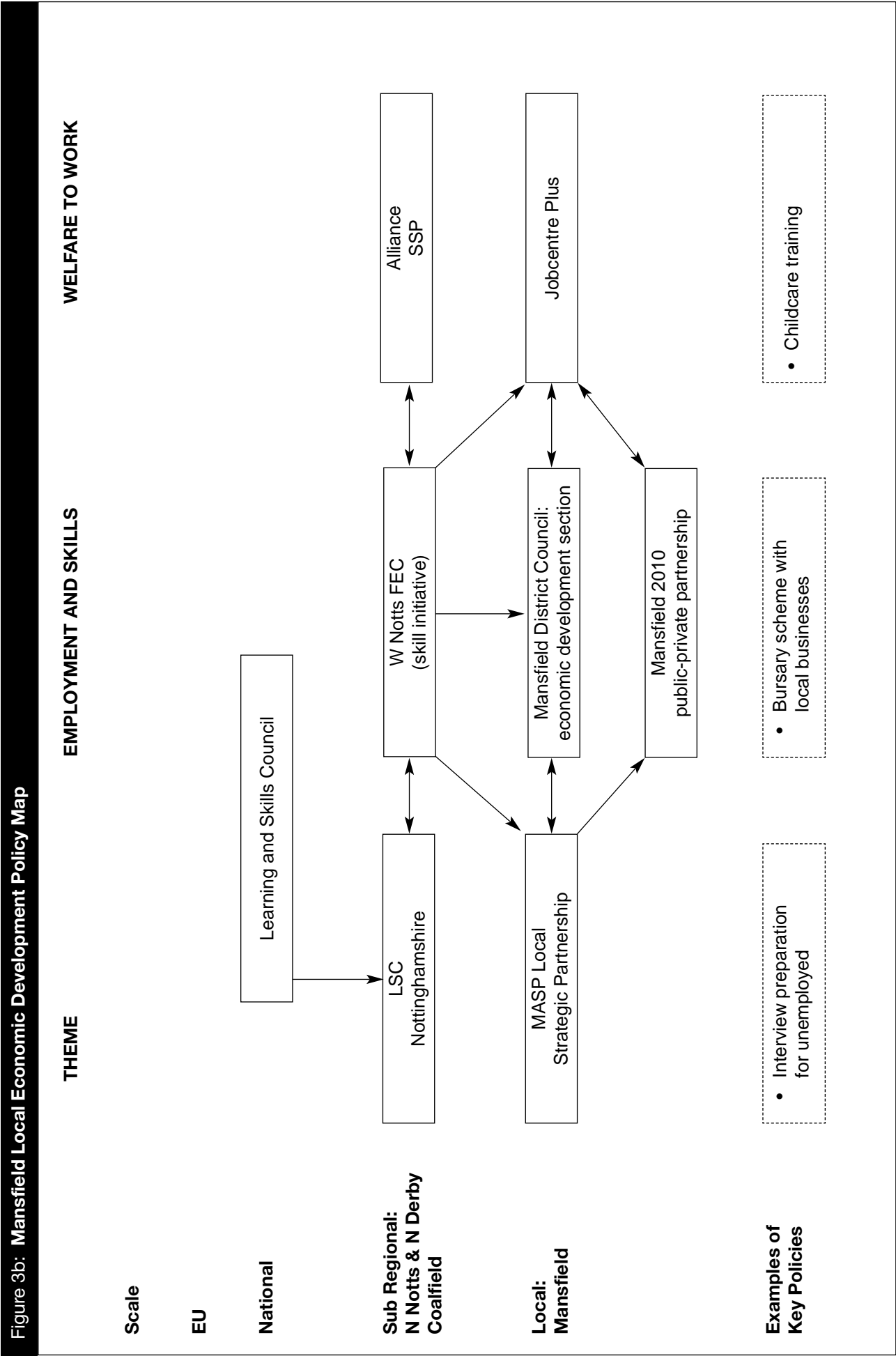
One area where neighbourhood delivery does appear potentially significant is with regard to employment issues, and some activity is developing in this area. There is increasing recognition of the need for employment advisers working closely with residents to ensure they are aware of job and training opportunities, develop appropriate basic employment skills and can overcome fears about coming off benefits. As well as advice and assistance with softer skills, there is also a need for role models to remove fears and encourage aspirations, such as targeted actions focused at groups with particular barriers to labour market integration (eg single mothers, or those on Incapacity Benefit).

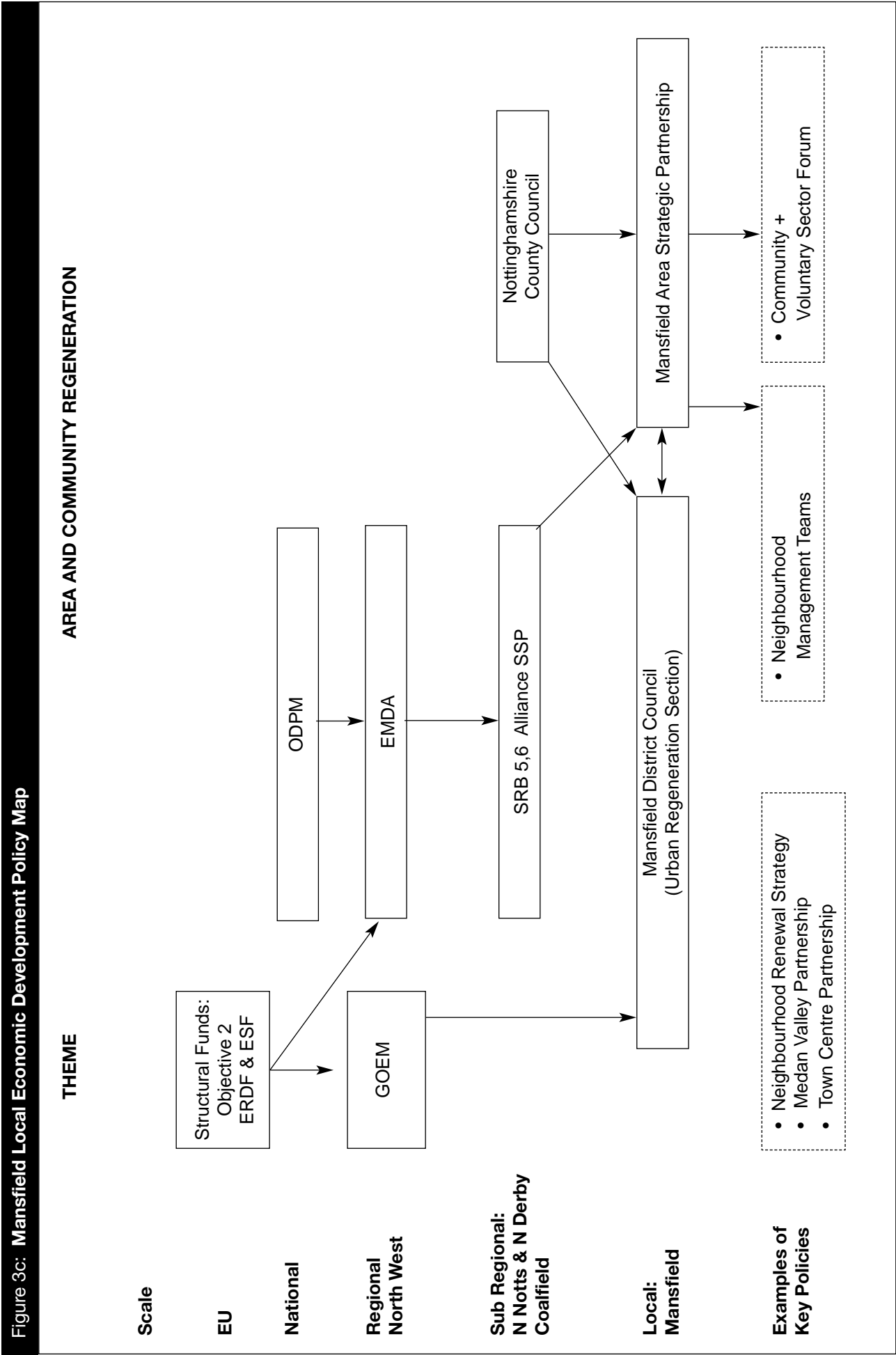
Finally, in terms of changing attitudes to work and raising aspirations, a whole range of NR activities can contribute to this through building local networks, confidence and skills. In the economic realm, the development of community and social enterprises is one means of doing this, but, to date, activity of this type has been limited. However, it should be stressed that rapid economic decline has fractured local communities, undermining confidence and destroying past social networks, and hence rebuilding these local capacities will necessarily be a long-term project.

Please see page 256 for details of interview sources and references relating to this case study.

Figure 3a: Mansfield Local Economic Development Policy Map







CASE STUDY 4

Brighton and Hove

4.1 Dynamics of the Local Economy

4.1.1 INTRODUCTION

The city of Brighton and Hove (population 250,000) has experienced considerable economic growth during the past five years. Nevertheless, there remain pockets of deprivation, most notably in the eastern wards where the New Deal for Communities programme (EB4U) is located. Key growth sectors in the local economy include new media and cultural industries, business and financial services, tourism and hospitality and construction. Despite rising commercial property costs, commercial rents remain well below those in London and the city continues to attract inward investment. Major concerns relate to the potential mobility of a number of larger employers whose headquarters are elsewhere, the growth of low skill/low paid jobs in call centres (7,000 in total) and the lack of brownfield development land and premises to facilitate existing business growth. Despite the city's recent economic growth, Brighton and Hove remains a relatively low pay economy when compared to average wage rates in the South East region and England as a whole.

4.1.2 RECENT PERFORMANCE OF THE BRIGHTON AND HOVE ECONOMY

There have been positive advances in the Brighton and Hove economy during the past five years. The key issues arising are summarised below (AIF, 2003):

- By July 2003 unemployment in Brighton and Hove had fallen to 3.1 per cent, still above the national level of 2.7 per cent and above the South East regional level of 1.5 per cent.
- Despite recent wage rises, Brighton and Hove remains a low pay economy, average pay representing 93 per cent of the national average and only 88 per cent of the regional average. Underlying statistics suggest that the median earnings are similar to those nationally and that it is a lack of high paid jobs, rather than concentrations of low paid ones that bring the Brighton and Hove average down. This is perceived to be due to weaknesses in the city's economic base, which has few large business headquarters and, therefore, few high paid managerial jobs.
- Gross value added (GVA) per capita is proportionately well below the national (80 per cent) and regional rates (73 per cent), due to the labour

intensive sectoral bias towards service sectors such as tourism, education and health.

- A critical issue is house price inflation, which has been exacerbated by a large influx of 'buy-to-let' second home investors that have distorted the local property market. There is also a huge and growing gap between social housing costs and private property. Certain areas have become gentrified, but it is unclear whether this process will impact upon the deprived neighbourhoods of East Brighton (eg East Kemp Town and Whitehawk). It is suggested that these areas could be improved by creating more of a social mix of households, as they currently contain concentrations of poorer people (eg lone parents, unemployed and lower skilled workers).

4.1.3 STRUCTURE OF THE BRIGHTON AND HOVE ECONOMY:

Table 4.1 Sectors experiencing employment decline 1997–2002			
Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Insurance and pensions	2377	–1245	–34.4%
Post and telecommunications	2247	–1131	–33.5%
Sewage and refuse disposal	47	–715	–93.8%
Collection, purification and distribution of water	332	–442	–57.1%
Manufacture of electrical machinery	223	–374	–62.6%
Manufacture of radio, TV and communications equipment	195	–358	–64.7%
Manufacture of fabricated metal products	351	–239	–40.5%
Publishing and printing	1098	–231	–17.4%

Source: Annual Business Inquiry

Table 4.2 Sectors experiencing employment growth 1997–2002			
Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Other business activities	15809	3542	28.9%
Retail trade	14817	3217	27.7%
Financial intermediation	8767	3045	53.2%
Hotels and restaurants	10861	2590	31.3%
Wholesale trade	4668	2277	95.2%
Auxilliary transport	2962	1925	185.6%
Education	12822	1223	10.5%
Health and social work	14412	943	7.0%
Recreation, cultural and sporting	3770	920	32.3%

Source: Annual Business Inquiry

Brighton and Hove is essentially a service economy, with over 90 per cent of employment being in a wide range of different service sectors (sources: ABI 2002; AIF 2003). The public sector remains a very large employer in Brighton and Hove, accounting for around 27 per cent of local employment, notably within public administration, health and education activities (there are two large hospitals and two universities). Employment grew by 11 per cent in the education sector over the 1997–2002 period, and by 7 per cent in health and social work, resulting in more than 2,000 additional jobs in these two sectors (Table 4.2). There are recruitment difficulties for young professionals in these public sectors, due to the rapid house price inflation recently. This has led to a degree of ‘casualisation’ of the professional sectors (eg the replacement of some qualified teachers by classroom assistants).

Brighton and Hove has a buoyant financial services sector, which combined with business services, represents 25 per cent of local employment (ABI 2002). Over the 1997–2002 period, an additional 3,000 jobs were created in ‘other business activities’ (29 per cent growth) and financial services (53 per cent growth) (Table 4.2). However, the vast majority of these are lower order clerical and administrative jobs and there is some concern that this employment may decline through ‘off-shoring’. For example, a key employer is American Express, which has recently announced around 200 job losses from the nearby Burgess Hill site, with some call centre jobs relocating to India (Brighton Argus: 21st May, 2004). Although the firm is expected to remain in Brighton, the City Council fears that they may further reduce their local call centre activities, which currently provide around 3,000 jobs in Brighton. The retail and wholesale trades account for 16 per cent of total employment in Brighton and Hove and have contributed around 5,500 additional jobs over the 1997–2002 period, with employment in retailing increasing by 28 per cent and that in the wholesale trade by 95 per cent.

The creative industries cluster is based around the city's two universities and a local tradition of art/design (ie Brighton College of Art and Design). This sector has been heavily promoted, but according to the City Council's economists, it is difficult to define and quantify. It includes: new media, a music cluster which receives RDA cluster funding and a local college Centre of Excellence in digital media. There are also discussions about developing an e-learning education network. There has been a loss of one growth firm in the sector ('Victoria Reel'), which relocated to West London, due to the need for closer proximity to the London market and access to key clients. A potential problem is that Brighton and Hove does not have any big media firms for the cluster to centre around. 'Epic' is one of the city's largest media firms, but remains a relatively small player in the national market. This raises questions relating to the sustainability of the city's creative cluster.

Brighton and Hove has a small manufacturing base, representing less than 6 per cent of local employment (ABI 2002). Several manufacturing sectors experienced substantial falls in employment over the 1997–2002 period, with more than 700 jobs going from the electrical machinery and TV and communication equipment sectors and over 200 jobs from each of the fabricated metal products and publishing and printing sectors (Table 4.1).

Tourism and hospitality are important activities, providing around 22 per cent of local employment (including 8 per cent in hotel and catering activities which created 2,500 additional jobs between 1997–2002) (ABI 2002). A tourism impact study is currently taking place with early indications that it remains a key sector, along with conferencing which helps to compensate for tourism's seasonality. Tourism appears to be associated with a young, short stay market profile with language student courses also contributing to an international visitor mix.

4.1.4 BUSINESS FORMATION

A measure of the dynamism of the Brighton and Hove economy is the growth that has taken place in the number of businesses within the local economy. Over the 1994–2003 period there has been a 22.3 per cent growth in the numbers of VAT registered businesses (an absolute increase of 1,455 businesses) which is considerably above that of England as a whole (9.2 per cent). Moreover, the VAT registration rate over the 1997–98 to 2002–03 period averaged 48.5 registrations per 10,000 adult population, compared to a national average rate of 40.7.

However, a less positive view of new business formation in Brighton and Hove comes from recent policy documents and the key informant interviews. Area Investment Framework (AIF, 2003) data suggests that there are high rates of start-ups and failures, and that few small businesses in Brighton and Hove survive and grow. Anecdotally, a partial explanation is the high proportion of lifestyle businesses that are set-up in arts, crafts and tourism related activities, and another factor may be the lack of locally available premises of sufficient size for growth businesses to move into.

Almost 17 per cent of working residents are self employed, a figure which is matched across the deprived neighbourhoods in East Brighton (MORI, 2001).

The extent of informal business activity taking place is unknown, but it is evident from the work of EB4U that such activity exists.

4.1.5 EMPLOYMENT AND WORKLESSNESS

Unemployment has fallen significantly, from 9.1 per cent in 1996 to just 3.6 per cent in 2001 and to 2.8 per cent in November 2003 (Brighton City Council, 2004). These recent falls in unemployment have followed sub-regional and national trends, but unemployment levels still remain above the regional and national averages. Amongst the unemployed population there is a significant number of long-term unemployed (35.1 per cent) (Table 4.4). Unemployment is spread across all age groups (37 per cent of those under 30; 49 per cent of those aged 30-50; and 14 per cent of those aged 50 plus), with a slightly higher proportion than the national average within the older aged groups.

Table 4.3 Economic activity rates of the 16-74 year old population, 2001

Area	ER (%)
Brunswick and Adelaide	76.3
Central Hove	71.4
East Brighton	61.8
Goldsmid	69.9
Hangleton and Knoll	65.3
Hanover and Elm Grove	69.5
Hollingbury and Stanmer	55.7
Moulsecoomb and Bevendean	60.4
North Portslade	72.1
Patcham	69.2
Preston Park	73.8
Queen's Park	66.0
Regency	73.6
Rottingdean Coastal	64.1
South Portslade	69.7
St. Peter's and North Laine	71.4
Stanford	67.1
Westbourne	68.3
Wish	68.0
Withdean	70.4
Woodingdean	66.3
Brighton and Hove	67.8

Source: Census, 2001

Brighton and Hove exhibits some unusual demographic trends, being described as a 'city of young adults' (Brighton and Hove City Council, 2004); 35 per cent of the population is aged between 20-39 years, making the city the sixth ranked authority outside of London in terms of the proportionate size of the young adult population. Overall, the population of Brighton and Hove has grown by 8.2 per cent between 1991-2001 (Census 2001), almost twice the average growth

for England (4.4 per cent), with growth being concentrated in the younger age cohorts, whilst the population over 65 years of age has declined by 16 per cent in this period.

The economic activity rate (the percentage of the working age population who are available for work) in 2001 was 67.8 per cent, slightly above the national rate of 67.2 per cent. Furthermore, between 1998-2001 the economic activity rate rose by 0.6 per cent bucking the national trend of a slight fall (-0.4 per cent). This overall figure conceals some wide variation within Brighton and Hove wards, notably in Hollingdean and Stanmer (55.7 per cent), Moulsecoomb and Bevendean (60.4 per cent) and East Brighton (61.8 per cent) which exhibit considerably lower levels of economic activity rates. However, this can in part be explained by the high numbers of university students in the population of these wards, where almost half of economic inactivity is due to students (Census 2001). Indeed, students represent 22 per cent of the economically inactive of Brighton and Hove, a considerably higher proportion than in England as a whole (14 per cent).

Table 4.4 Unemployment rates and the proportion of long-term unemployed (16-74 year olds), 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Brunswick & Adelaide	5.3	33.8
Central Hove	5.1	33.7
East Brighton	5.1	38.2
Goldsmid	4.2	37.1
Hangleton and Knoll	3.2	34.5
Hanover & Elm Grove	4.0	35.3
Hollingbury and Stanmer	2.4	38.4
Moulsecoomb & Bevendean	3.7	36.3
North Portslade	2.6	30.5
Patcham	2.2	31.4
Preston Park	3.5	35.6
Queen's Park	5.5	36.1
Regency	5.6	36.7
Rottingdean Coastal	2.7	32.7
South Portslade	2.6	33.9
St. Peter's & North Laine	5.0	34.9
Stanford	2.0	35.2
Westbourne	3.1	40.2
Wish	2.6	28.7
Withdean	2.4	29.2
Woodingdean	2.3	35.2
Brighton & Hove	3.6	35.1

Source: Census, 2001

The Brighton and Hove economy is predominantly a low wage economy. Average weekly earnings in the Brighton and Hove TTWA were £435.55 in 2000, significantly lower than the South East average of £498.63 and lower than the

average of £471.72 for England as a whole, although there is evidence that this gap has been closing slightly across the 1996-2000 period. Low pay in Brighton and Hove is attributed to the lack of high paid jobs, relating to the dearth of business headquarters located in the city, rather than concentrations of very low paid jobs (Brighton and Hove City Council, 2003); the lowest 10 per cent of wage earners averaged £239.20 per week in Brighton and Hove, compared with £237.50 in the South East and just £222.70 in Britain (Census 2001).

4.1.6 EDUCATION AND SKILLS

Brighton and Hove's workforce is characterised by relatively high levels of skills and education. The 2001 Census revealed that 22.1 per cent of the Brighton and Hove resident population had no qualifications (compared to 29.1 per cent for England and Wales) and that 28.7 per cent were qualified to degree level or higher (compared to 19.8 per cent for England and Wales). This is undoubtedly a product of the city's two universities, which currently train over 32,000 students (Brighton and Hove Council, 2004). These overall results mask considerable variations at the ward level, notably in respect of the high proportions of the workforce with no qualifications in East Brighton 33.5 per cent and Moulsecoomb and Bevendean 35.1 per cent.

Table 4.5 Highest level of (NVQ) qualification, for those aged 16-74, 2001

Area	Pop. 16-74	No quals.	Level 4/5
Brunswick & Adelaide	7804	10.0	45.0
Central Hove	6532	16.5	36.8
East Brighton	9911	33.5	23.5
Goldsmid	10233	16.3	37.8
Hangleton and Knoll	9875	32.8	14.0
Hanover & Elm Grove	10862	18.4	35.6
Hollingbury and Stanmer	11071	24.4	15.7
Moulsecoomb and Bevendean	10957	35.1	11.9
North Portslade	7316	30.1	11.0
Patcham	9693	26.4	18.8
Preston Park	10095	12.8	44.5
Queen's Park	10197	22.4	35.8
Regency	7452	11.5	46.0
Rottingdean Coastal	9034	19.7	28.9
South Portslade	6460	30.8	13.7
St. Peter's & N.Laine	11608	13.5	41.8
Stanford	7077	17.4	28.9
Westbourne	6354	19.2	32.8
Wish	5881	23.4	27.1
Withdean	9840	16.0	36.5
Woodingdean	6879	34.5	13.6
Brighton & Hove	185131	22.1	28.7

Source: Census, 2001

With regard to the city's school age population, there are concerns at the level of performance of local schools. At key stages 2, 3 and 4, the city's schools under perform the national averages for passes at English, Maths and Science. Underachievement is particularly notable in certain schools, notably in East Brighton (AIF, 2003), with the Moulescoomb area exhibiting low levels of basic skills.

4.1.7 KEY DEVELOPMENT OPPORTUNITIES

Construction, which currently represents 7.5 per cent of local employment, is currently experiencing a rapid growth in employment. The increase in public spending and house price boom has led to increased demand for construction activities. This has led to important recruitment issues, which will become particularly acute, if key developments go ahead. The City Council, LSC and TGWU are working together on local construction training 'compacts', including local labour clauses and training development plans.

Key development proposals include: King Alfred seafront development in Hove, due to start in 2005; a library development starting in 2005, to be located at the centre of the new cultural quarter; Falmer Football Stadium project, proposed for the East Brighton area – this project includes plans for a Learning Centre of Construction, drawing on two deprived areas for employment skills training; Brighton International Arena project; and in East Brighton two important projects are Preston Barracks, a mixed business and residential development site and the Westergate House development of business units.

4.2. Economic Problems of Deprived Neighbourhoods

4.2.1 DEPRIVED NEIGHBOURHOODS WITHIN THE LOCAL ECONOMY

Table 6 shows the multiple deprivation scores and ranks for wards in Brighton and Hove. In 2001 Brighton and Hove had two wards (Marine and Moulsecoomb) ranked within the 5 per cent most deprived in England, with a third ward, Queens Park, being ranked just outside the top 10 per cent most deprived wards.

Ambrose (2003) suggests that the poverty which currently afflicts the deprived neighbourhoods of East Brighton cannot be understood properly without considering the underlying structural economic decline which took place during the mid-1970s. In the post Second World War era, East Brighton had grown rapidly, with the development of two large local manufacturers; Creed Teleprinters and Gross Cash Registers. A great deal of low cost housing was developed in order to house the expanding workforce locally. Indeed, the Mori (2001) survey of East Brighton NDC revealed that 91 per cent of respondents live in local authority or housing association dwellings. However, during the mid-1970s, these two manufacturers fell victim to changing technology and

contracting markets which led to their eventual closure and the loss of around 7,000 jobs.

Today's deprived neighbourhoods in East Brighton are the legacy of this manufacturing decline and the ongoing failure to revive the local economy. The residents of these neighbourhoods appear not to have benefited from the recent successes of the city's economy, particularly the growth of financial services and the development of knowledge based services, notably in creative industries such as art, design, film and IT. Instead, they have been largely dependent upon the low paid jobs in sectors such as retailing and tourism.

Recent labour-flow analysis (Brighton and Hove City Council, 2003) of the East Brighton economy reveals that the area is a net exporter of low paid lower skilled activities, such as retail sales and elementary service occupations, whilst it is a net importer of professional occupations, notably to the Sussex County Hospital and University of Brighton (Moulsecoomb site). The MORI (2001) study of EB4U underlined the low paid nature of the work undertaken by residents. Half (51 per cent) of responding residents, who had worked during the last five years, had undertaken personal services (11 per cent), sales and customer related services (12 per cent), process and machine operation activities (9 per cent), or elementary occupations (19 per cent), whilst only 7 per cent had been engaged in managerial or professional occupations.

Table 4.6 Multiple index of deprivation in by ward

Area	Score	Rank
Brunswick and Adelaide	27.12	2329
Goldsmid	23.35	2945
Hangleton	26.43	2424
Hanover	34.93	1510
Hollingbury	32.06	1772
King's Cliff	37.41	1307
Marine	53.87	439
Moulsecoomb	53.56	448
Nevill	27.16	2324
Patcham	13.27	5263
Portslade North	20.15	3530
Portslade South	28.5	2183
Preston	13.54	5164
Queen's Park	43.68	901
Regency	37.77	1285
Rottingdean	9.94	6414
Seven Dials	31.31	1849
St. Peter's	31.15	1866
Stanford	9.42	6609
Stanmer	23.57	2917
Tenantry	29.52	2042
Vallance	33.46	1626
Westbourne	30.43	1932
Westdene	11.7	5795
Wish	23.72	2900
Woodingdean	26.29	2456
Brighton & Hove	28.46	95

Source: ONS

According to the EB4U project director, there has been some private sector investment in and around the deprived neighbourhoods. Within North Moulsecoomb, Custom Pharmaceuticals has recently relocated to the Fairways industrial estate, providing 50 new jobs and a car body repairer, Ocean Coachworks, has invested £1m in the area to develop a site. The developments at Westergate House and Preston Barracks should provide opportunities for further private sector inward-investment and contribute to the continued medium-term demand for construction workers during the next two to three years. Other important private sector employers in East Brighton include Brighton and Hove Buses and Forfars bakery.

To the south of the NDC area is the Brighton Marina, a recent development that has received considerable private sector investment, resulting in flourishing leisure, hospitality and retail service sectors. However, the majority of these jobs are low paid and it is unclear whether they have been taken up by East Brighton residents, since public transport links are more limited. Kemp Town racecourse

is also located in East Brighton, but provides relatively few jobs, most of which are of a low paid part-time/temporary nature.

EB4U has worked hard to establish community enterprise projects and to develop human and social capital. Where previously there was only one community worker in East Brighton, EB4U has provided 15 full-time staff. One of the outcomes of this activity has been the development of community enterprise activities, including a magazine, ICT/website training, PC refurbishment project, retail, construction, credit union, childcare, community garage and a recycling enterprise. There are plans for further co-operatives and community enterprise ventures, including health and social care, manufacturing and facilities management activities. There is also a desire to save key shops for local people (eg local convenience stores) and curtail the trend for small retailers to close down as their owners reach retirement age and no one is willing to takeover businesses which are operating on the margins.

4.2.2 SOCIO-ECONOMIC ISSUES IN BRIGHTON AND HOVE'S DEPRIVED NEIGHBOURHOODS:

Currently, deprivation is not confined to the five neighbourhoods covered by the East Brighton NDC (EB4U) (ie Whitehawk, Moulsecoomb, Saunders Park, Bates Estate, Manor Farm) as the Neighbourhood Renewal (NR) team are responsible for a further nine deprived neighbourhoods (DNs). Whilst the nature of the DNs in Brighton and Hove vary considerably, there are common issues which the NR team focus on, which include:

- raising educational attainment levels
- reducing unemployment, and particularly long-term unemployment lasting more than six months
- reducing the levels of teenage pregnancy
- improving health indicator levels (eg reducing the number of smokers and drug dependency levels)
- reducing crime rates

Employment issues focus around training. A recent local study for the NR Team revealed that many of those out of work did not know anyone who was in work, having grown up on estates where unemployment was common and where there were no role models of friends and family in work. These people knew about job opportunities, but did not see why they should seek work. A 'benefit dependent culture' had developed.

East Brighton has a particularly poor education record (AIF, 2003, Brighton and Hove City Council, 2004) with Moulsecoomb ward exhibiting low levels of basic skills and East Brighton area as a whole contributing significantly to Brighton and Hove scoring below the national levels in key stages 2 and 4 (5.9 per cent of Brighton and Hove residents had no GCSE passes, compared with 5.4 per cent nationally). Furthermore, the poor levels of basic skills exhibited by East

Brighton's residents are exacerbated by their low levels of take-up of adult education.

Another key issue is childcare, leading to this becoming a priority policy for 2004-06 (for the NDC and NR team). There are large proportions of lone parent single mothers, due to the high preponderance of teenage pregnancies. Addressing this issue has been difficult and the NR team have examined ways of encouraging lone parents to work, overcoming benefit dependency, making sure that people are not worse off by seeking work, providing adequate, affordable childcare (eg 'childcare bursaries') and helping them overcome the wrench of leaving children for the first time.

East Brighton in particular has suffered from a lot of disengagement from school and a great deal of work needs to be done to re-engage young people with school and overcome barriers to learning. Recent projects have found that the best way to get young people to go back to learning is to work in groups. According to the NR Team interviewee, intensive group work has succeeded in making young people think differently about training and work.

Finding work has been problematic, because there is a 'locked in culture' (notably in Moulsecoomb) whereby residents in some neighbourhoods do not consider working outside of their locality, despite the existence of reasonable public transport links by rail and bus to the city centre. EB4U are undertaking work to develop a wider range of jobs locally. Considerable work is also being undertaken by Apprenticeship Development Community Workers in East Brighton.

Whitehawk, just to the north of Brighton Marina, is a relatively new estate containing a high proportion of priority care social housing which has created a concentration of lone parent mothers and a young age profile. A net effect is that there are no older neighbours to look after children and the natural community support structure is thin. A key 'breakout' issue here is the child support structure and provision of crèches.

Whitehawk also highlights the need to obtain 'mixed tenure' and a greater diversity of population in these neighbourhoods. The move to 'choice benefit housing', allowing people to choose their social housing, may have a role, but there is a severe shortage of this type of housing (council house sales have reduced the stock by almost half). There are too few social/affordable houses in Brighton and social housing is filled by those on the critical list. Few people would currently choose to live in East Brighton and it is difficult to see how such a policy will achieve a better social mix.

Most of East Brighton is a transient population as people do not want to live there, and according to the interview with the City Council there is a feeling that those who succeed in breaking out of the poverty/unemployment trap leave and are replaced by others who have drifted into it. Therefore, the area as a whole cannot break out of this cycle of decline. Unemployment appears worst in the Marine and Moulsecoomb wards. Although unemployment in these wards has fallen, it has been slower than elsewhere in Brighton and Hove. The city has a transient population and it is possible that those finding employment have moved up market, whilst those becoming unemployed have moved

downmarket into areas such as East Brighton, reinforcing the areas poor image. Also, the high level of economic inactivity amongst younger people is related to a sizeable proportion of University student population, drawn to areas of low cost rental.

Housing ownership is another key issue. There is a relatively small social housing stock in the city and most is in the East Brighton area. The MORI (2001) survey found that 61 per cent of EB4U residents live in social rented properties. The local authority cannot afford to upgrade this old stock and there is talk of shifting stock to housing associations in order to generate private sector investment. This follows the example of Whitehawk, where the Chichester Diocesan Housing Association has developed a joint resident shared management approach to upgrading residential properties. There is also a pressing issue as to whether the severe shortage of social housing might lead to a need to limit how long certain people can stay in this type of housing. Public sector professional jobs, such as health and social work and teaching, are increasingly experiencing recruitment difficulties, due to the lack of cheap affordable housing in Brighton and Hove.

4.3. Profiles of Case Study Neighbourhoods

4.3.1 SAUNDERS PARK

This is an area of social housing operated by a consortium of housing associations. There is good accessibility to Brighton City Centre, and the area attracts a young, mobile and transient population according to the EB4U project director. Those that work are likely to be in low paid service activities. An issue in this area is that a lot of young single mothers are allocated to these houses and there is no local family or older resident support network for childcare arrangements. Also, the transient nature of the area means that there is no wealth retention, with more financially successful residents moving out of the area at the earliest opportunity.

Saunders Park adjoins a sizeable retail park and also Preston Barracks, a former Ministry of Defence site earmarked for substantial redevelopment to contain an innovation centre, light industrial units, community business opportunities and live-work accommodation. This is one of Brighton's major new developments and is due to be completed in 2007.

There are no banks or post offices in Saunders Park and this is a common feature of the poor financial service provision amongst East Brighton's deprived neighbourhoods.

4.3.2 NORTH MOULSECOOMB

The most deprived area in Brighton and Hove (Moulsecoomb ward) ranks within the two most deprived wards of the city with regard to income, employment, health, housing, education and skills and child poverty (Brighton and Hove Council, 2004). North Moulsecoomb mainly consists of social

housing, containing many long established families that have lived through several generations of unemployment and exhibiting very low educational attainment. Local schools are at the bottom end of the scale in terms of performance tables. The EB4U project director reported that those who are working are typically in part-time and seasonal low paid service work.

Falmer secondary school has been granted full service school status and will link more closely to the local community, providing a potential stimulus for improved educational attainment.

Although North Moulsecoomb is mainly residential, the recently refurbished Fairways industrial estate contains a wide range of light industrial and service activities (including a bingo hall, recycling business and a pharmaceutical business). Within the estate, Westergate House is being demolished and there is planning permission for 25,000 square feet of workshop units (average unit size 2-3,000 square feet). Other local businesses include a small parade of retail shops and a leisure centre, and recent evidence (NDC EB4U MORI survey) suggests that almost one fifth (17 per cent) of local residents in employment are self-employed.

4.4. Co-ordination and Integration of Policy Strategies and Economic Initiatives

4.4.1 GOVERNANCE ARRANGEMENTS

A key issue facing Brighton and Hove is to bring together the wide range of economic policy organisations, strategies and initiatives taking place within the city. Brighton has had a proliferation of local economic development partnerships in recent years, estimated at around 80, due to the high number of pilot schemes that have operated in the city. This has led to some confusion, but there are now three city-wide regeneration strategies (ie the LSP and the work of the Neighbourhood Renewal (NR) Team; Brighton and Hove Economic Partnership, which is business-led; Brighton and Hove Regeneration Partnership, which is SRB related). The overarching economic development strategy is set by the RDA (SEEDA) and is overseen at the sub-regional level by the Area Investment Framework (AIF) which brings together Brighton and Hove and the neighbouring district of Adur. The AIF has a strong socio-economic dimension and is intended to guide the use of RDA's Single Programme funds. At the Brighton and Hove unitary authority scale, the AIF, through the local authority, works closely with the LSP and NR Team to develop city-wide strategies and focus specific policies on deprived neighbourhoods.

4.4.2 PROFILE OF LOCAL ECONOMIC DEVELOPMENT ACTIVITIES AND FUNDING

Figures 4a-c map out the main programmes and policies relating to local economic development in Brighton and Hove. Although Brighton and Hove is not part of an EU nor Government assisted area, it has benefited from a wide

range of government programmes and schemes targeted at deprived areas, including the SRB, New Deal for Communities programme, and the Employment Zone initiative.

The key players involved in local economic development policy at the local scale, that relate in some way to tackling the problems of deprived neighbourhoods are:

Brighton and Hove Council's Economic Regeneration Division (BHERD) is a facilitator rather than deliverer of services. It has a range of local economic development interests, including sites and premises/industrial estates; inward investment and commercial property searches; creative industries and tourism, grants provision; recruitment and employee development through labour market advice; and business liaison. The Council's strategic priorities are set down in the Brighton and Hove Regeneration Strategy (April 2002) and include – economic diversity, supporting business, developing the workforce, reducing inequalities, developing neighbourhoods, safer streets, better transport, homes for the workforce, a more attractive city and land and property. The SRB has been a major source of funding for the Council's regeneration policy initiatives since the mid 1990s, around £47m being obtained over the six SRB rounds.

Brighton, Hove and Lewes Enterprise Agency receives around £100,000 per year from a Sussex Enterprise (BL) contract to provide micro enterprise support and start-up assistance. They have also accessed ESF funding to assist community and enterprise development (eg womens' enterprises) and safety at work/combating crime, notably in East Brighton. One of the local projects that the Enterprise Agency is involved in is 'Working Links' which is a public-private partnership operating in the Employment Zone, assisting long-term unemployed into self-employment.

LSC Sussex (LSCS) has a £130m annual budget, of which around one sixth (£20m+) goes to the Brighton and Hove sub-region. Additionally it receives around £12m ESF, of which a sixth (c. £2m) helps fund initiatives in Brighton and Hove. Because most of the LSC's funding is ring fenced, the additional ESF funding is important in helping it target projects at deprived neighbourhoods, such as projects involving the community and voluntary sectors. A recent LSCS mapping exercise identified 16 separate funding streams relating to education and regeneration (including ESF, RDA, NDC, Lottery, Schools fund, LSC, LA), but few of these are focused on the needs of deprived neighbourhoods.

LSCS works closely with Business Link and funds 'Brokers for Business' which provides a team of 25 advisors county-wide to respond to employer training needs with colleges and universities, including the two universities in Brighton. The business brokerage scheme also includes a 'College for Business' project which aims to develop links between FE Colleges and local businesses using a combination of RDA and LSC funding.

The New Deal for Communities provides £47.2m over 10 years focusing on five neighbourhoods within three wards in East Brighton (originally two wards, Marine and Moulescoomb, which fell within the 10 per cent most deprived wards nationally and which have subsequently been subsumed within three larger wards after recent boundary changes) – ie the EB4U initiative. Currently

there are around 130 projects operating, covering a wide range of activities aimed at creating local awareness, confidence, capacity building and empowering local people to make a difference. This is embodied in the NDC's six strategic themes: empowering residents to take control; improving education; improving health, improving the environment, developing enterprise; and reducing crime (EB4U, 2003b). Specifically, under EB4U's enterprising theme, there are a range of activities including: employment outreach; a 'Business in the Community' manager working with existing small businesses and start-ups; a credit union; and projects providing childcare to allow lone parents to get back into work.

As a way of trying to encourage East Brighton residents to set up their own businesses, EB4U have recently created a £100,000 business support fund. Those proposing to go into self-employment can apply for grants of up to £5,000 by submitting a business plan to a panel of local business people. The East Brighton business support team also provide help with finding business premises and providing business plans.

4.4.3 HORIZONTAL AND VERTICAL CO-ORDINATION AND INTEGRATION OF POLICY

Given the large number of agencies and funding sources related to various aspects of Brighton and Hove's local economy, there is a need to move towards greater partnership working and policy co-ordination, even though this may not have always been the case previously.

The Brighton and Hove Economic Partnership was formed in 2002 and has an executive board of 30. There appears to have been some tension within the partnership between the business interests and the social inclusion lobby which the Council wishes to promote more strongly. The Economic Partnership is currently repositioning itself to get a clearer definition of its role. Its Workforce Development Sub-Group adopts a sectoral approach following the LSC/RDA lead, which links in well with Council work. Included in their target sectors are advanced engineering and biotechnology, and they are also working with SEEDA's Enterprise Hub project and the University of Sussex to develop fast growth new businesses in key sector clusters.

Key players within local economic development, such as SEEDA, LSC Sussex, and Jobcentre Plus are adopting more joint funding of projects, enabling them to take a more strategic role. However, this co-financing model is not welcomed by the voluntary and community sectors who fear that these larger organisations will hold increasing sway over the funding pots and will want to contract big to deliver small, not wanting to go through lots of small-scale voluntary sector organisations. There is a push to get more of a consortium approach for smaller organisations to enable them to adapt to the new co-financing arrangements.

Another potential difficulty is that the larger organisations do not necessarily relate well to local needs. For example, the LSCS has been criticised in some quarters for being too detached from local needs. This largely arises from the fact that there are few local discretionary funds at the LSC's disposal. The LSCS co-funded education and skills post with EB4U represents a positive step to

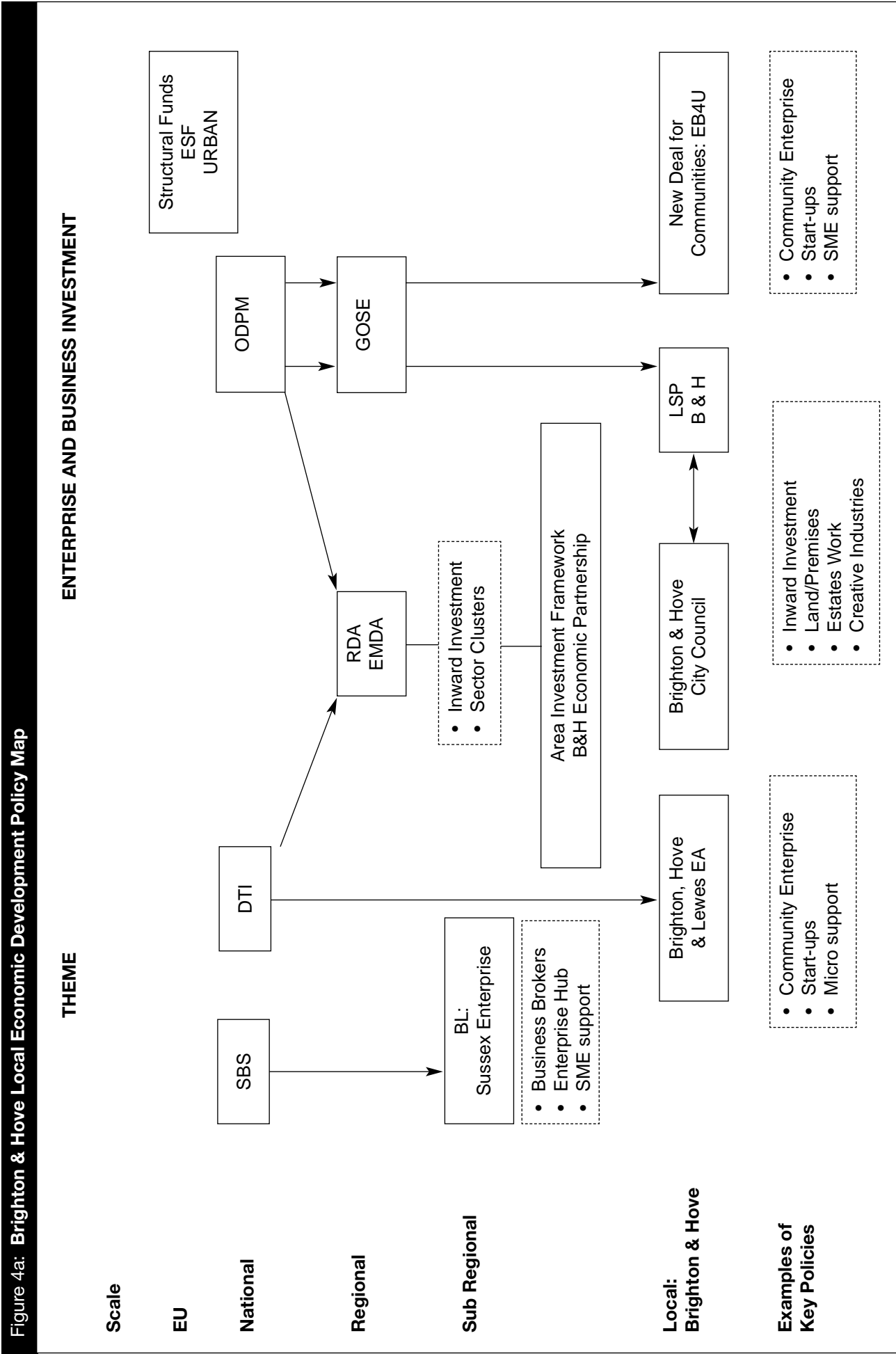
interact at the local scale. The LSC is also looking to their local Learning Partnerships to play more of a role in this respect. Furthermore, the LSC supports, but is not a member of the LSP, and feels there is definitely a need for better co-ordination.

With specific regard to tackling the problems of deprived neighbourhoods, this requires a close working relationship between the NR team, the LSP and the NDC. Initially, the NDC did not have a seat on the LSP and there was little contact, but there has been increasing contact and growing recognition that these organisations should work together in order to more successfully tackle deprivation in East Brighton and across the city as a whole. The LSP can set an overarching strategy for the city, but the NRF provides only a small level of funding (£1.3m in 2003-04, Safety in the City, 2004) for pilot projects outside of the NDC area, with the aim of achieving take-up of successful pilots by mainstream providers. In developing projects, there is a need to share knowledge and resources in order to avoid duplication and re-invention and to build on good practice.

4.4.4 CONCLUSIONS

One of the criticisms levelled at area based initiatives is that they are divisive and do not create an overall sense of ownership of the problems amongst the wider population. In the case of Brighton and Hove there is a strong argument for improving the integration of local economic development policy across the city. Not only would this avoid duplication of services and lead to improved sharing of resources and good practice, but it would strengthen the collective ownership of the city's problems, rather than retaining them at arms length, most notably within the outer suburbs of East Brighton. One of the key lessons learned has been the need to work in partnership and, after a difficult beginning, there are signs that organisations such as the NR team and the NDC are beginning to work more closely.

Please see page 257 for details of interview sources and references relating to this case study.



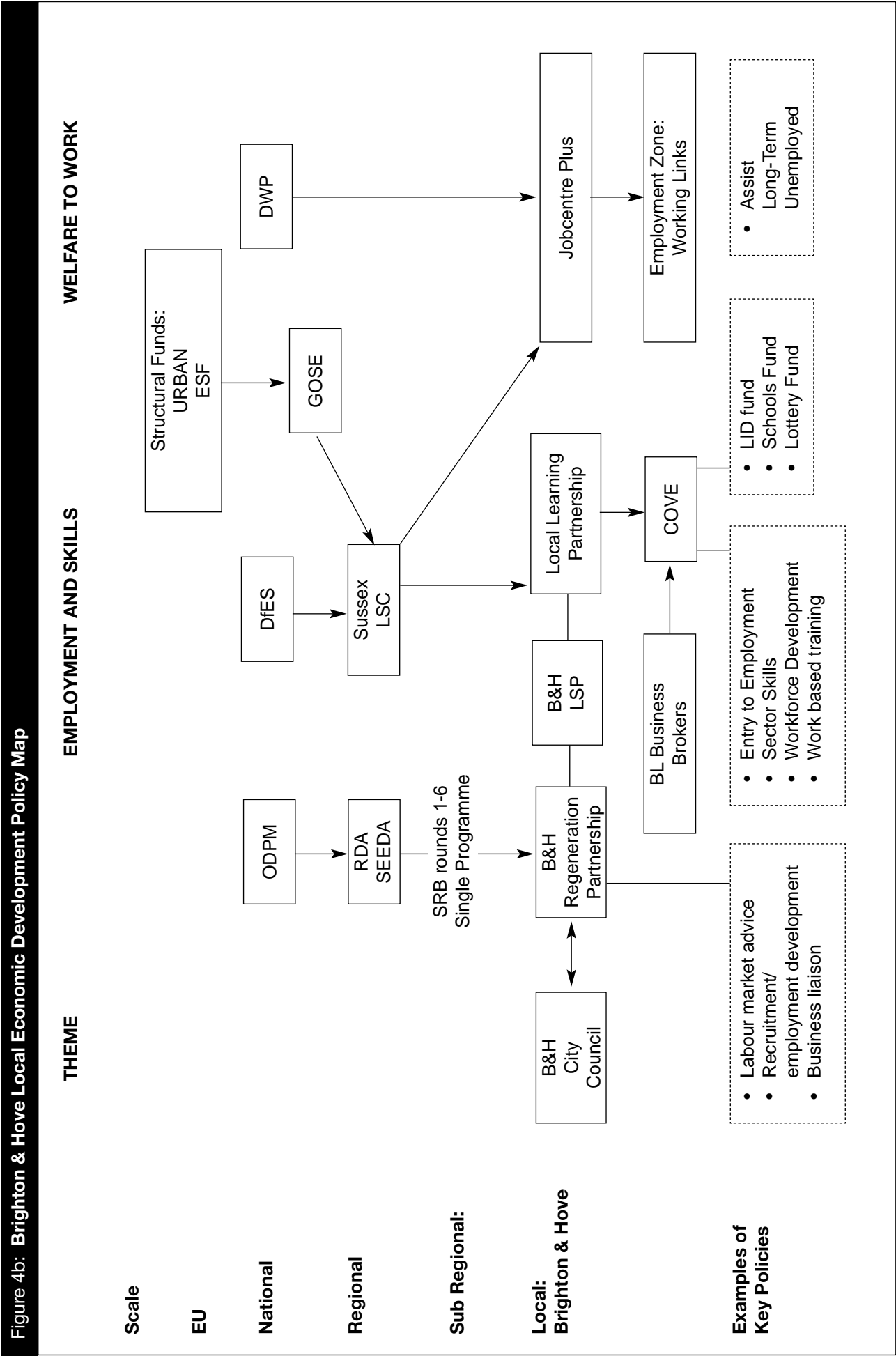
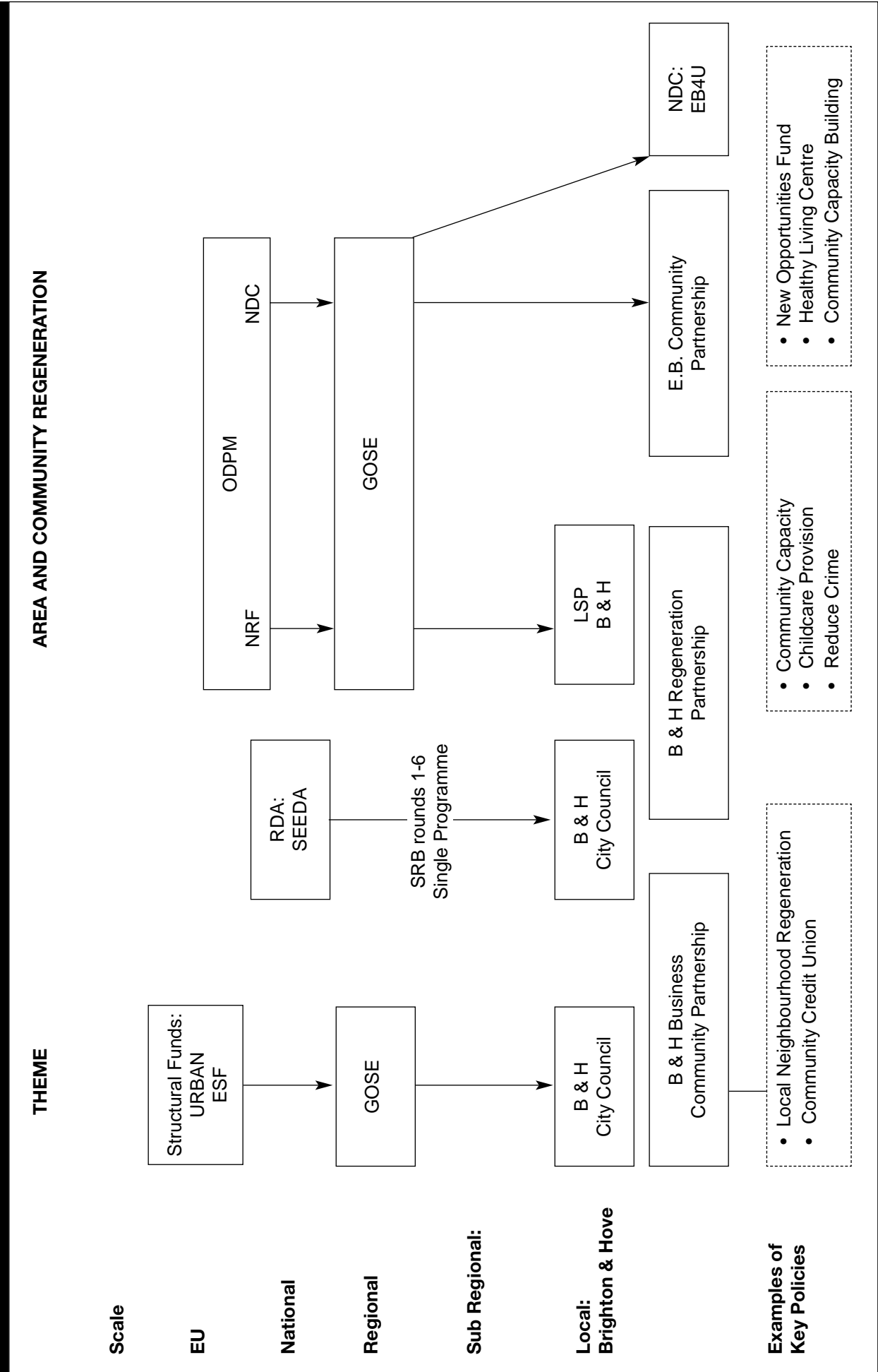


Figure 4c: Brighton & Hove Local Economic Development Policy Map



CASE STUDY 5

Newham

5.1. Dynamics of the Local Economy

5.1.1 INTRODUCTION

The London Borough of Newham has been ranked as the fifth most deprived local authority district in England according to the ONS multiple index of deprivation. It is characterised by a higher unemployment rate than the London average and has suffered from long-term decline in the traditional port related and manufacturing industries. However, in many ways it is different from the 'typical' deprived area associated with the collapse of heavy industries, the coalfields, or coastal resorts. Newham is situated in inner east London and geographically close to the capital's financial centre. This gives an added dimension to the Newham economy in that it has enormous potential to gain from closer integration with London's rapidly expanding economy and all the advantages associated with it. It is also within the Thames Gateway sub-region which has become the main focus of brownfield development within the wider London region.

Newham has one of the fastest growing and youngest populations within England. Its population increased by 15 per cent from 1991–2001, compared with 4.4 per cent in England as a whole, with the growth of those aged 0–15 being 23.2 per cent (compared with 4.9 per cent in England). A consequence of this is that a smaller proportion of the population are of working age, with a larger number of dependants (less than 16 years old) than is the case in either London or England as a whole. However, assuming the majority of those currently under the age of 25 stay within the Borough, it is likely that Newham's working age population will increase over the next 20 years and move closer to the London/England average.

Another key characteristic of Newham's population is its ethnic diversity. Newham has the highest proportion of non-white ethnic groups of any local authority in England with 61 per cent being drawn from Mixed, Asian or Asian British, Black or black British, Chinese or other ethnic groups. Newham has the second highest proportion of people of Asian background in the country, including the second largest proportion of Bangladeshis (both after Tower Hamlets), and the second highest proportion of black Africans (Focus on Newham, 2003-04). The various ethnic groups tend to be concentrated in different parts of the Borough, with the Asian communities particularly concentrated in the north east of the Borough and the Black communities in the west.

5.1.2 STRUCTURE OF THE LOCAL ECONOMY

According to Census (2001) data relating to the employment of Newham residents, a smaller proportion were employed in manufacturing (8.3 per cent) compared to England as a whole (14.8 per cent), although this was above the Greater London average (7.6 per cent). Employment within financial services (6.3 per cent) and business services (15.5 per cent) was above the England average (4.8 and 13.2 per cent respectively), reflecting Newham's proximity to the City of London and adjacent areas where these sectors are expanding, notably Canary Wharf and the City Fringe area.

Related to the importance of financial and business services are the sectors 'hotels and restaurants' and 'transport and communications' which account for a significantly higher share of the employment of Newham's population (7.3 and 9.5 per cent respectively) than is the case nationally (4.7 and 7.1 per cent respectively). Key informant interviews highlighted how new hotels, restaurants and bars have recently opened in Newham with a particular focus on corporate clients. Similarly, interviewees pointed to new transport hubs, such as the development of the Eurostar interchange at Stratford, as examples of how London is responding to its 'international financial capital' status and the potential advantages for Newham.

Public sector employment provides a large share of jobs for Newham residents (24.6 per cent), although this is not significantly different from the England average (24.1 per cent). However, the public sector organisations in Newham are some of the largest single employers in the area, including the Borough Council and Newham College of Further Education.

Newham's working population is skewed towards less skilled jobs, with fewer people in professional and managerial jobs, but higher proportions in personal service and sales jobs and 'elementary' (low skilled) occupations. The occupational structure of the resident population varies throughout the Borough, the areas of North Woolwich and Silvertown having the highest proportion of residents in managerial and professional occupations, Canning Town the highest proportion in 'elementary' occupations, and Green Street the highest proportion in sales and customer service occupations.

In terms of the business size structure (based on Annual Business Inquiry data), a higher proportion of the jobs in Newham are in smaller units than is the case in London: units employing more than 200 people account for 24.2 per cent of total employment in Newham compared with 35 per cent in Greater London. A greater share of Newham's jobs are to be found in medium size units (31.7 per cent compared with 22.9 per cent in London) with Newham's share of employment in small units being similar to London as a whole.

5.1.3 SECTORAL CHANGES IN THE LOCAL ECONOMY

Tables 5.1 and 5.2 show the main changes that have occurred to the employment structure of Newham's local economy over the 1997-2002 period, (ie in terms of jobs located in the Borough). This shows that although the number of jobs in manufacturing sectors declined over the 1997-2002 period

(notably in metal products, clothing and printing), by far the largest reduction in the number of jobs occurred in the finance and insurance sector, where there were 2,791 fewer jobs in the Borough in 2002 than five years previously, which is contrary to the trend in Greater London. Thus, as we have already noted, despite the importance of this sector as a source of employment for Newham's residents, there appears to be an increasing dependence upon finance sector jobs which are located outside the Borough.

Turning to the sectors where the number of jobs in Newham increased over the 1997–2002 period, the biggest increase occurred in 'other business activities' (2,541 extra jobs), followed by the retail trade (1,679) and construction (1,518). Large increases also occurred in education (1,437) and public administration (898). The only manufacturing sector to have experienced a significant increase in jobs over this period is chemical products (360 extra jobs).

Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Auxilliary financial intermediation	166	–1686	–91.0%
Insurance and pensions	0	–1105	–100.0%
Real estate activities	962	–619	–39.2%
Post and telecommunications	1640	–480	–22.6%
Computing and related activities	636	–455	–41.7%
Activities, membership organisations	634	–365	–36.5%
Manufacture of fabricated metal products	302	–334	–52.5%
Manufacture of apparel	356	–332	–48.3%
Sale and repair of motor vehicles	853	–235	–21.6%
Publishing and printing	615	–225	–26.7%

Source: Annual Business Inquiry

Whilst the growth of employment amongst Newham residents in retailing and public services indicates that they are benefiting from local job growth in these sectors, it would appear that they have not been benefiting from the Borough's rapid growth of jobs in the construction sector. Whereas, as noted above, there was a substantial increase (71 per cent) in the number of construction jobs within the Borough over the 1997–2002 period, the number of Newham residents employed in this sector has fallen by 2 per cent over the 1991–2001 period. This is consistent with what some key informants said about

construction companies obtaining their labour requirements from elsewhere, rather than recruiting local people.

Table 5.2 Sectors experiencing employment growth 1997–2002

Sector	2002 Employment	Absolute Change 1997–2002	Percentage Change 1997–2002
Other business activities	7105	2541	55.7%
Retail trade	8362	1679	25.1%
Construction	3644	1518	71.4%
Education	6520	1437	28.3%
Public administration	4288	898	26.5%
Land transport	2661	823	44.8%
Financial intermediation	1612	686	74.1%
Recreation, cultural and sporting activities	1728	584	51.0%
Hotels and restaurants	3075	387	14.4%
Manufacture of chemicals	678	360	113.2%

Source: Annual Business Inquiry

5.1.4 BUSINESS FORMATION

The number of businesses within Newham increased by one fifth over the 1998 to 2002 period, the largest increases being in ‘wholesale, retail and repairs’, ‘real estate, renting and business activities’, and construction. However, despite these increases, the business stock in Newham in relation to the resident population remains one of the lowest in London, with 35 VAT registered businesses per 10,000 people compared with 59 in London as a whole. The VAT registration rate over the 1997-98 to 2002-03 period averaged 24.8 per 10,000 adult population compared with a national average rate of 40.7, showing that Newham has a low level of new business formation, especially bearing in mind the London context. The business-start up data only includes businesses registered for VAT and therefore will exclude the smallest businesses. Given that the Newham economy is characterised by a larger proportion of smaller size businesses it is indeed likely that the VAT data will underestimate business start-ups in the Borough.

5.1.5 EMPLOYMENT AND WORKLESSNESS

Table 5.3 Economic activity rates of the 16-74 year old population, 2001

Area	ER (%)
Beckton	62.8
Boleyn	58.4
Canning Town North	56.2
Canning Town South	55.9
Custom House	62.4
East Ham Central	57.3
East Ham North	53.4
East Ham South	62.1
Forest Gate North	62.4
Forest Gate South	58.7
Green Street East	53.8
Green Street West	52.9
Little Ilford	55.1
Manor Park	55.6
Plaistow North	58.2
Plaistow South	63.2
Royal Docks	65.8
Stratford and New Town	61.9
Wall End	59.1
West Ham	60.9
Newham	58.7

Source: Census, 2001

The unemployment rate in Newham fell, between 1991 and 2001, from 12.3 per cent (of the population aged 16-74) to 6.7 per cent. Over the last five years (1998-2003), unemployment in Newham has continued to fall and whilst still higher than in London as a whole, it has converged towards the London average. In July 2004, the Claimant Count unemployment rate in Newham was 4.5 per cent, compared with 3.3 per cent in London and 2.2 per cent in England.

Newham is the highest ranked local authority in England in terms of the proportion of unemployed who have never worked (21 per cent) (Focus on Newham 2003-04). This is particularly high for women (26 per cent of unemployed women) and in those wards with large Asian populations (28 per cent in Green Street West). Although Claimant Count data show that there has been a sharp drop in the numbers of long-term unemployed, the 2001 Census evidence indicates that there are still a substantial number of non-claimant unemployed within the Borough.

Whilst at the national level unemployment has been falling steadily for more than a decade now, the level of economic inactivity has been increasing, resulting in 'hidden' or 'disguised' unemployment. This trend is especially evident in Newham where the level of economic inactivity has increased markedly over the last ten years such that the Borough has the highest inactivity

rate in England. In 1991 the economic activity rate of the 16-74 year old population stood at 63.7 per cent (compared to 67.2 per cent for England) but this fell by 5 percentage points over 10 years to stand at 58.7 per cent in 2001 (compared to 66.9 per cent for England).

Table 5.4 Unemployment rates and the proportion of long-term unemployed (16-74 year olds), 2001

Area	Unemployment rate (%)	Long-term U (% of total U)
Beckton	6.5	31.1
Boleyn	5.6	29.3
Canning Town North	7.2	31.8
Canning Town South	6.7	33.5
Custom House	6.1	31.5
East Ham Central	6.5	27.2
East Ham North	6.5	33.1
East Ham South	6.1	32.9
Forest Gate North	6.2	27.5
Forest Gate South	7.6	30.3
Green Street East	7.0	30.8
Green Street West	7.3	25.8
Little Ilford	8.1	33.8
Manor Park	6.7	29.9
Plaistow North	6.9	29.8
Plaistow South	5.9	34.7
Royal Docks	7.0	35.5
Stratford and New Town	7.4	33.8
Wall End	6.4	27.4
West Ham	6.6	31.6
Newham	6.7	30.9

Source: Census, 2001

The most commonly cited reason for being economically inactive in Newham is caring for the home and family, and the Borough has the highest proportion of inactive in the country who give for this reason (25.1 per cent in Newham compared with 19.7 per cent in England), with particular concentrations in those wards with Asian populations. The economic inactivity rate is especially high amongst women and people of Bangladeshi and Pakistani origins. Women whose first language is not English have the highest rate of economic inactivity.

Just over one fifth (22.7 per cent) of the economically inactive population living in Newham are students, which is much greater than the England average rate of 14.1 per cent. Over the last ten years there has been a dramatic increase in the number of students living in the Borough, far greater than that nationally and within Greater London. The availability of relatively cheap rented housing in Newham (compared to other parts of London) may help explain the attraction of the Borough to students studying in London.

5.1.6 EDUCATION AND SKILLS

Table 5.5 Highest level of (NVQ) qualification, for those aged 16-74, 2001

Area	Pop. 16-74	No quals. %	Level 4/5 %
Beckton	9202	28.7	22.9
Boleyn	8484	34.9	19.0
Canning Town North	8349	39.1	18.2
Canning Town S.	7725	43.1	16.5
Custom House	8285	34.9	20.9
East Ham Central	8483	32.0	21.0
East Ham North	7935	33.1	20.8
East Ham South	8442	36.3	16.7
Forest Gate North	9036	29.3	26.5
Forest Gate South	10050	29.1	26.0
Green Street East	9104	35.4	19.3
Green Street West	8914	36.2	19.1
Little Ilford	8959	35.5	18.3
Manor Park	8438	33.5	20.5
Plaistow North	9111	34.1	21.2
Plaistow South	8365	33.3	21.3
Royal Docks	4529	28.9	30.2
Stratford & New Town	8904	29.4	27.0
Wall End	8894	31.3	20.7
West Ham	9059	33.8	22.7
Newham	170268	33.6	21.3

Source: Census, 2001

Evidence relating to Newham shows that a large proportion of Newham residents are disadvantaged in the labour market by their lack of, or low level of, educational qualifications. Newham has a higher rate of 'no qualifications' compared with the England average, with one third (33.6 per cent) of the Newham working population without a qualification, compared to 28.9 per cent for England. However, because of the large proportion of students living in Newham, the area is characterised by a comparatively large proportion of its working population with Level 3 and Level 4/5 qualifications.

There is a negative relationship between education level and the probability of working in Newham (this being most pronounced for women) and this becomes reflected in the higher wages of those working outside the Borough. Evidence relating to different ethnic groups shows that improvements in the level of educational attainment reached may be a necessary, but not sufficient, condition of success within the labour market. Although black Africans and black Caribbeans do relatively well in the education system, they still face relatively high levels of unemployment. Evidence from the Newham Household Panel Survey (2003) shows that one in three individuals without English as a first language had no qualifications at all, compared with 19 per cent of those with English as a first language. Key informant interviews pointed to a high proportion of recent foreign migrants in Newham and the lack of English

language skills associated with them. Also recent migrants are associated with low levels of basic skills.

It was the view of some key informants that the low level of education qualification lay at the heart of the employment problems experienced by Newham and that much more was needed in the areas of education and training. Thus it is argued that there is worsening mismatch between the demands and expectations of employers who are increasingly looking for recruits with level three qualifications and above, and the supply of workers available locally, most of whom, if they have had training, have not gone above level two. Until the educational attainment and qualifications of the local population are improved, they will not be in a position to compete for the new jobs in the Thames Gateway sub-region.

5.1.7 INFORMAL WORKING

Although recent studies have helped to provide a clearer understanding of what constitutes informal economic activities, there is no evidence which allows us to estimate the number of unemployed or economically inactive within Newham who rely on these kinds of activities to make an income for themselves and their families. However, research based on other deprived areas suggests that informal working is quite widespread. Work in another inner London borough has shown that resorting to working 'off the cards' was a form of survival strategy for those who needed to supplement their benefit income (Watt, 2003). This work was invariably sporadic and casual in nature, but helped to prevent boredom and isolation. And a study of social exclusion in 12 deprived neighbourhoods, including some in London, concluded that informal economic activity invariably underpinned the economic life of poor communities (Lupton, 2003).

5.2. Economic Problems of Deprived Neighbourhoods

5.2.1 DEPRIVED NEIGHBOURHOODS IN NEWHAM

Several other indicators of deprivation, in addition to the unemployment data examined above, provide an indication of deprivation within the Borough. Table 6 shows the deprivation scores and ranks for wards within the Borough. Although the Borough as a whole is the fifth most deprived local authority in England, most of the wards rank between 200 and 500, showing a uniformity of deprivation throughout the Borough. The most deprived wards are Ordnance (ranked 35) and Beckton (ranked 79).

Given the high incidence of unemployment and economic inactivity amongst Newham residents, together with the fact that those in work tend to be in lower skilled occupations, it can be no surprise that the average income level in the Borough is significantly below the London average. Paycheck data that take account of data from all sources shows that the average income for Newham

households in 2001 was £23,900, which was significantly lower than the Inner London and Outer London averages (£29,700 and 29,600 respectively) (Focus on Newham 2003/04). According to data from the New Earnings Survey for 2002, the average gross weekly pay for Newham residents was 23 per cent lower than that for all London residents: £408.38 compared with £532.61. The Newham Household Panel Study found that for all qualification levels, full-time employees living in Newham receive lower wages than similarly educated employees living in Greater London.

Table 5.6 Multiple index of deprivation by ward

Area	Score	Rank
Beckton	70.52	79
Bemersyde	48.04	650
Canning Town and Grange	65.37	158
Castle	53.14	462
Central	50.23	556
Custom House & Silvertown	53.5	450
Forest Gate	50.8	532
Greatfield	41.37	1027
Hudsons	54.53	413
Kensington	53.47	453
Little Ilford	62.45	223
Manor Park	61.17	244
Monega	53.07	465
New Town	52.18	492
Ordnance	75.06	35
Park	62.77	217
Plaistow	62.17	231
Plashet	58.5	295
South	50.72	536
St. Stephens	63.56	196
Stratford	63	206
Upton	54.4	422
Wall End	51.35	516
West Ham	56.65	344
Newham	56.18	5

Source: ONS

Evidence from the Newham Household Panel Survey (2003) also shows that almost a third of households qualify for income support. The Income Support claimant rate is much higher than the national average (16.8 per cent of the 16-74 year old population in Newham, compared to 9.2 per cent in England). Indeed all Newham wards have rates above the national average with some having rates of around 25 per cent. Particularly high concentrations of Incapacity Benefit (IB) claimants are found in the former Docklands area (ie Canning Street North and Canning Street South wards). The claimant rate for

Job Seekers Allowance (JSA) in Newham (4.3 per cent) is approximately double the England rate (2.2 per cent).

5.2.2 SIGNIFICANCE OF AREA EFFECTS

Cultures of work

“There does appear to be a dependency spirit. There is an apathy and expectation that the Borough should meet their needs ...” (quote from interviewee).

Two interviewees suggested that a ‘culture’ of unemployment was a component of a vicious circle of worklessness in the area, suggesting that low expectations and lack of ambition of the unemployed ensured that they were insufficiently motivated to find work. Two other interviewees contradicted this by arguing that ambition was actually high, particularly among the young unemployed. One interviewee felt that young people in particular lack soft skills; they do not realise the importance of time keeping and arrive at interviews late; they also dress inappropriately at an interview and do not present themselves well.

One interviewee emphasised a culture of worklessness as being a barrier to employment. For example, there exists a large proportion of homeless people and these people have very specific problems which are difficult to solve. Another aspect of the worklessness culture was identified as being an unwillingness to travel very far, beyond the locality, to work. For example, a large number of job openings have emerged in Central London, Enfield, Barking and Hornchurch. These jobs are located in areas which are accessible by public transport and, in some cases, the cost of transport has been kept artificially low in order to attract potential employees. According to Newham’s Transport Policy, there have been a number of improvements in public transport in recent years, including the extension of the Jubilee line to Stratford and improvements in the Docklands Light Railway, although it recognises that problems remain with travel to the south side of the River Thames and also northwards along the Lea Valley Corridor. Despite these opportunities for work, one interviewee described how the unemployed in Newham were reluctant to travel to them, even if it only involved two or three stops on the underground or train.

There are various views about the way the benefits system can act as a barrier to employment, including that it engenders a culture of dependence and that there is a reluctance to substitute benefits for ‘in work poverty’ resulting from low paid and insecure employment. Whereas Newham has a high proportion of its population receiving benefit support (30 per cent being in receipt of means-tested benefit according to the Newham Household Panel Survey 2003), it is likely that these aspects of the benefit system are acting as a barrier to employment for some workless people within the Borough.

Housing and area sorting

“There is still a notion in Newham that if you can get out you will – in order to better yourself you have to move out ...” (quote from interviewee).

The housing market plays a key role in segregating poorer and more disadvantaged groups from more affluent groups, although it is difficult to

disentangle the direction of causal effects in the relationship between the housing and labour markets. Research has shown how the 'sorting processes' of the housing market translate into particular labour market outcomes. Evidence from inner East London suggests that people who do get a job have a high propensity to move away from deprived neighbourhoods, only to be replaced by those with a high probability of being unemployed (Buck et al., 2002).

Newham has a significantly higher proportion of households living in local authority and housing association housing than is the case in London as a whole, much of this type of housing being occupied by those who are economically inactive, particularly lone parents and retired people. However, in the Green Street part of the Borough, high levels of economic inactivity are more closely associated with owner occupier housing, perhaps indicating that other influences (such as cultural factors amongst the Asian population) have a greater influence on the likelihood of working in this part of the Borough.

National studies have shown that there is a significant 'ethnic penalty' even after controlling for education, language and other personal characteristics, and evidence for London indicates that despite its ethnic diversity, many minority ethnic groups do not fare any better in the labour market than elsewhere. Other research in London identifies a geographical 'concentration effect' for unemployment resulting from the coincidence of minority ethnic unemployment with white unemployment, leading to the conclusion that unemployment is a problem of specific areas, regardless of ethnicity (Fieldhouse, 1999). There is some evidence from elsewhere of postcode discrimination by employers, and survey evidence from Newham indicates that a quarter of young unemployed thought that employers were put off by the area where they live. However, an interviewee from Jobcentre Plus argued that that there was no, or little, postcode discrimination due to an increasingly tight labour market, and that employers can no longer afford to be selective according to where potential recruits live.

OTHER EFFECTS

The average number of lone parent households per 1,000 population in Newham is significantly higher than in Greater London and the proportion of households in Newham that have lone parents with dependent children is the highest in England and Wales. On the basis of research evidence showing a significant association between lone parenthood and non-employment, it would seem that the high incidence of single parenthood in Newham contributes to the high levels of unemployment and economic inactivity found in the Borough.

At the national level, there is strong evidence that a lack of available and affordable childcare is a significant barrier to employment for parents with young children, and especially for lone parents; research has shown that the cost of childcare as well as the low provision of childcare in deprived neighbourhoods is a major obstacle (McKay, 2003). Given the high proportion of households with dependent children and the large number of lone parent households, the availability and affordability of childcare is likely to be an important barrier to employment in Newham, especially for women.

Various studies have shown that the unemployed tend to have poor knowledge of job opportunities within the local labour market, partly because information about vacancies is not readily accessible to them, but also because of their restricted job searches and limited perceptions of job availability. Recent research has drawn attention to the importance of networks of families, friends, and social contacts in, not only obtaining information about jobs, but also in being successful in competing for jobs, (eg Shuttleworth, et al., 2003) Research in another inner London borough has shown that being enmeshed in the appropriate social networks proved crucial in providing the routes by which information about jobs and workers' reputations could be circulated (Watt, 2003). The lack of suitable social networks amongst unemployed people acts to reinforce other processes, creating inequalities in labour market outcomes, thereby 'tipping' deprived neighbourhoods further into a vicious cycle of decline.

Although there is a common perception in Newham that to improve ones standard of living one must move away from the area, interviewees made no suggestion that the area suffers particularly from having a bad image. The more obvious visual signs of deprivation such as boarded-up houses and derelict sites are not as apparent as in many deprived areas. The area has not suffered from the typical de-population effects of many deprived areas. Indeed the influx of immigrants might have helped give the area a feeling of dynamism. Several interviewees expressed surprise that Newham is classified as the fifth most deprived district in England and found it difficult when asked to describe the most obvious signs of deprivation in the area. For example, one of the 'problem estates' within the West Ham and Plaistow NDC area comprises starter homes built as recently as the 1980s, but according to the interviewee, these have been filled with many people moved from Westminster's homeless list, including a lot of young people and single parents. The estate has problems of drug abuse and social exclusion, but these are not apparent to the casual observer.

5.3. Case Studies of Deprived Neighbourhoods: Beckton and Green Street

The following two deprived neighbourhoods have been selected from different parts of the Borough, one in part of the former Royal Docks area, which has undergone redevelopment since the 1980s, and the other in an area of poor housing in the north east of the Borough which has a high concentration of Asian people.

5.3.1 BECKTON

Although one of the most deprived wards within Newham (ranked 79th nationally and 8th in London), various indicators suggest that Beckton is undergoing various changes related to the new developments in this former docklands ward. Beckton is situated by the Thames, in the south west corner of the Borough, and has a population of 13,000, 17.0 per cent being between 16 and 24 years old (compared to 14.7 per cent for Newham, 12.1 per cent for Greater London). Unlike Newham as a whole, just over half of the population

are white (51 per cent compared with 39 per cent). Although the unemployment rate at the time of the 2001 Census was the same as that for the Borough as a whole (6.5 per cent), the employment rate was slightly above the Borough average (51.5 per cent of the 16-74 aged population being in full-time, part-time, or self employment in 2001, compared with 47.7 per cent in Newham as a whole). Moreover, the average income in 2000-01 was significantly above the Borough average (£29,000 compared with £23,900), reflecting the fact that a higher proportion of the working population have professional or managerial jobs than found in the Borough as a whole (Focus on Newham 2003/04).

The key informant interviews have drawn attention to changes in the social composition of the resident population that have been taking place in Beckton in recent years. A large amount of new housing has been built which as well as attracting people wanting to buy their own home, has also attracted property investors, with the result that a significant proportion of houses are being rented-out (for example in Britannia Village) at rental levels which are beyond the reach of most long-term residents.

The character of the local economy in Beckton has also been changing, with the traditional dock related industries being replaced by various 'lifestyle services', including a developing hospitality cluster with a number of hotels and bars, targeting corporate business clients. According to one of the interviewees, Beckton no longer has a 'heart' and lacks community facilities such as shops, although a new retail park at Gallion's Reach has been constructed. A common criticism of the new housing estates is that they lack a sense of community and contain few facilities such as shops, with the result that much of the income brought in by those moving into the area ends up by 'leaking out' not just of the neighbourhood, but of the Borough as well.

5.3.2 GREEN STREET WARDS (EAST AND WEST)

The two Green Street wards have between them a total population of 26,000, with over 17 per cent between 16 and 24 years old (compared with 14.7 per cent in Newham as a whole). The area is characterised by a large Asian population (65 per cent), primarily families of Indian (30 per cent) and Pakistani (17 per cent) origin, but also a sizeable Bangladeshi (16 per cent) community. On a number of indicators, the area performs poorly against the Borough average. At the time of the 2001 Census, the unemployment rate in Green Street West (GSW) and Green Street East (GSE) was 7.3 per cent and 7.0 per cent, compared with 6.7 per cent for the Borough as a whole. Moreover, the proportion of the unemployed who have never worked was particularly high, especially in GSW (28.1 per cent of the unemployed). The employment rate (ie the proportion of the 16-74 aged population in full-time, part-time, and self employment) has been very low, 40.7 per cent in GSE and 42.0 per cent in GSW compared with 47.7 per cent in Newham as a whole. The most common reason given for being economically inactive is looking after the home and family (28 per cent of the inactive) and reflects cultural traditions relating to the role of the women in Asian families as well as language barriers to obtaining work. The proportion of the economically inactive who are full-time students (25 per cent)

is also slightly higher in these wards than in the Borough as a whole (23 per cent).

Average incomes in 2000-01 in Green Street were below those of Newham as a whole (£21,200 compared to £23,900) and the rate of increase in incomes since 1997-98 was slower (16 per cent compared to 24.5 per cent). This reflects the skew towards those who are in work being in less skilled occupations, the proportion in GSE employed in sales and customer services being particularly high (13.1 per cent compared with 9.5 per cent in Newham).

Interviewees describe the area as a 'close-knit' Asian community with a vibrant but self-contained economy. As well as being a key to its success, the close knit network of relations are also considered to act as a limitation, as they tend not to extend beyond the locality. The economy of Green Street is dominated by small independent retailers and wholesalers, specialising in food, textiles and jewellery. The businesses tend to cater for an Asian (and therefore predominantly local) market that has limited their potential to expand. The small size of businesses limits their ability to create employment. Also, it was alleged that many of them operate on the fringes of the formal economy and pay their workers (invariably family members) below the minimum wage. However, partly as a result of a number of initiatives to promote the area, Green Street is becoming famous in London as a lively Asian retailing area, and is attracting visitors and 'cultural tourists' from elsewhere in London and beyond.

5.4. Co-ordination and Integration of Policy Strategies and Economic Initiatives

Figures 5a-c, (found at the end of this section), map out the policy linkages against three thematic areas, and are discussed below.

5.4.1 GOVERNANCE ARRANGEMENTS, STRATEGIES, AND POLICIES FOR ECONOMIC DEVELOPMENT ACROSS DIFFERENT SPATIAL SCALES

Regional Level

At the pan London scale, the London Development Agency has a budget of £350m per year to invest in the London economy, being accountable in doing so to the Mayor and the Greater London Assembly. The first economic development strategy, 'Success through Diversity', produced in 2001, was heavily influenced by the need to manage the final rounds of the Single Regeneration Budget, but the new draft strategy (July 2004), takes a longer term, strategic view of developments within the London economy, taking as its starting point the Mayor's London Plan (ie Spatial Development Strategy).

The new draft strategy identifies four priority investment dimensions: (i) places and infrastructure; (ii) people; (iii) enterprise; and (iv) marketing and promotion. In addition, there are three cross cutting themes: (i) sustainable development; (ii) health; and (iii) equality of opportunity. In terms of places, east London is being prioritised for new development, regeneration and investment, particularly those boroughs which come within the Thames

Gateway regeneration area, of which Newham is one. In the words of the Mayor, “East London is to become a major engine for growth, having been neglected for so long”. The importance of linking social needs to economic opportunities runs through the draft economic strategy, as in the view that the Thames Gateway is one of the key locations “best placed to deliver large scale sources of new employment to London’s major concentrations of deprived communities in inner east London.” As outlined in the London Plan, this involves linking opportunity areas within the Thames Gateway, which are capable of accommodating substantial numbers of new jobs and homes, with areas of regeneration which comprise the 20 per cent most deprived wards within London. Thus in Newham, the challenge is to be able to seize the opportunities in areas such as Stratford and the Royal Docks to improve the employment prospects for those living in the many deprived wards within the borough.

The LDA is critical of what it sees as the plethora of small, inadequately targeted regeneration initiatives that there have been in the past, with resources too often being applied in a ‘scattergun’ way. Instead, it wants to see more effective co-ordination between initiatives on a scale capable of achieving critical mass and promoting sustained improvement. With more economic development and regeneration resources being channelled through RDAs, this is likely to provide the means for achieving a more coherent and focused approach to tackling the problems of east London. As recognised by the draft strategy, it also provides an opportunity to identify what has worked best in the past and to build upon it, including lessons that can be drawn from past failures.

Much of the delivery of the strategy will be done at the local level so that actions can be taken which are appropriate to local circumstances. The intention is to produce a number of sub-regional economic strategies, the preparation of which will be led by the LDA but will involve sub-regional and local stakeholders. Thus, once the new economic strategy for London as a whole has been agreed, this will lead to a sub-regional economic strategy for each of the five Learning and Skills Council sub-regional areas, one of which covers East London and the Thames Gateway.

Sub-regional Level

Until the new institutional arrangements are in place for producing the sub-regional economic strategies, the main sub-regional organisation covering east London is the Thames Gateway London Partnership (TGLP), this being a voluntary sub-regional partnership comprising 13 London boroughs, the Learning and Skills Council London East (LSCLE), the LDA, five universities, and two strategic health authorities. The TGLP’s first economic strategy was launched in 1997 and formed the basis for a number of successful bids for both the SRB and EU funding under Objectives 2 and 3. A revised economic strategy, ‘Going East’, was produced in 2001 to cover the 2000-06 EU Structural Funding period. Although the ‘Going East’ strategy was produced at roughly the same time as the LDA’s first economic strategy, it was largely independent of the latter strategy.

As illustrated by the following two quotes from the ‘Going East’ strategy, the increased EU funds (£160m for London’s Objective 2 area over the 2000-06 period) are seen as being an important source of public funds for tackling the regeneration problems of East London:

“It is the juxtaposition of needs and opportunities that makes our area uniquely challenging and yet amenable to positive interventions. We have both significant needs and the capacity to do something about them, with the right tools and the will.”

The vision of the Objective 2 programme is: “to redress the imbalance in London’s economy by tackling barriers to economic opportunity in key areas suffering industrial decline, urban deprivation, low economic activity and social exclusion so that new, sustainable opportunities are open to all people living and working in the Objective 2 area.”

A central objective of the strategy in providing a framework for the use of EU monies is to enable a higher proportion of east London residents to access employment opportunities, by improving basic employability skills, addressing barriers to entry to the labour market, and encouraging businesses to source more local labour – including use of local labour agreements.

For the purposes of spending the EU resources, the TGL Partnership divides itself into an Inner East area (which includes much of the Borough of Newham as well as Hackney and Tower Hamlets) and an Outer East area (Barking and Dagenham). For the Inner East area, the overall aim of the strategy is to make a sustainable difference by improving the opportunities for local residents into employment by means of a four fold approach: (i) to assist the most disadvantaged and excluded into employment; (ii) to support the economy and create new jobs opportunities suited to the needs of all local residents; (iii) to ensure the local benefits of new strategic and local transport infrastructure are maximised; and (iv) to assist the access of all residents into job opportunities offered within the area.

However, as acknowledged by the interviewee from the TGLP, implementation of the ‘Going East’ strategy has become overtaken by various changes in policies and institutional arrangements relating to the regeneration of East London in general, and Newham in particular. First, the strategy was produced before the Neighbourhood Renewal Fund was introduced which then had implications for the kinds of partnerships which were being set up. To deliver parts of the ‘Going East’ strategy, various local economic partnerships were being set up, but in the case of Newham, these became subsumed within the Local Strategic Partnership. Second, as mentioned above, new sub-regional arrangements are likely to be introduced shortly as part of the move towards the LDA’s sub-regional economic strategies. And third, the Government’s Sustainable Cities programme is likely to have important implications for east London, such that the TGLP is currently producing an Investment Development Framework which addresses the Government’s priorities and the additional resources that are likely to be made available to regenerate East London.

Local Level

As one of London’s most disadvantaged boroughs, Newham has had a strong commitment to economic and social regeneration over many years. In 1997, for example, Newham Council agreed the following vision:

“By the year 2010 Newham will be a major business location and a place where people will choose to live and work ...”

The Borough has obtained significant public resources from central government, including Stratford City Challenge (completed March 1998), 12 SRB Partnerships, and a pathfinder for the New Deal for Communities. In addition, Newham has been in receipt of ERDF and ESF resources as part of the Lower Lea Valley Objective 2 programme.

Since 1996 Newham has received over £300m of regeneration monies (Newham's Community Strategy, 2004), the main ones being:

- £30m of NRF until 04, but further £40m 04-06
- £55m from NDC
- £30m from the National Lottery
- £77m from SRB
- £5.3m from ERDF

Newham Council last produced an Economic Development Plan in 1999/2000, the principal aims being to: (i) attract new investment; (ii) retain income and economic activity within the Borough; (iii) retain and attract aspiring residents; and (iv) to improve access to employment for the Borough's residents. Its approach to economic development has been multi-dimensional, including strategic development projects in the Docklands and the Lower Lea Valley, developing shopping centres, supporting business development, equipping local people with the skills needed to compete for local jobs, community regeneration, and anti-poverty and welfare rights.

Over the last ten years the SRB has been an important source of funding for a range of regeneration initiatives in particular localities within the Borough, including Green Street, Canning Town, and Stratford, as well as thematic borough wide initiatives such as those relating to the needs of ethnic minorities, job preparedness, and skills development. The last of the SRB programmes, 'Access to Excellence', is a seven year programme which matches £19m of SRB funds against ERDF and ESF funds and private sector investment. It focuses on Newham's 'arc of opportunity', this being 1,000 acres of brownfield development land estimated to have the potential to create 52,000 jobs. The aim is to encourage investment in four key growth sectors, these being: (i) developing local supply network for Excel and the events sector; (ii) building on the cultural industries base; (iii) supporting emerging knowledge based industries; and (iv) assisting local businesses to develop new environmental technology and promote entrepreneurship.

The European Social Fund has provided around £17m for skills and employment training, as well as community economic development initiatives within the Borough over the 2000-04 period, having funded various projects which come within the Borough's 'Access to Jobs' Strategy. Examples of the kinds of projects being funded in Newham through the Structural Funds programme include a number of initiatives led by Newham College of Further Education that are concerned with capacity building and helping the establishment of community businesses; projects concerned with providing

support to Asian businesses in the fashion, textile, and jewellery sectors; and the building of the East London Childcare Institute in Stratford. Priority 1 of the 2000-06 Objective 2 programme is concerned with community economic development and has to be targeted at the 30 per cent most deprived wards within the Objective 2 area. The council officer with responsibility for EU funding in the Borough considered that most of the projects were more concerned with community empowerment than community economic development, in view of the limited possibilities for starting community based enterprises amongst the most socially excluded.

Much of the Borough's economic development activities are now encompassed by the 'Your Newham' Local Strategic Partnership, with 'employment' being one of six workstreams and including barriers to employment; employment in the public sector; and enterprise and local procurement. In recent months the LSP, which is chaired by the Mayor of Newham, has been restructured to give it more executive authority by including the heads of each of the Council's directorates. Following this reorganisation, the Borough is currently finalising several strategies, including a new Regeneration Strategy and a revised Employment Strategy.

The delivery of the employment strategy is in the hands of the 'Access to Jobs Partnership' which comprises a wide range of partner organisations within the Borough (including Jobcentre Plus; the Learning & Skills Council; various training providers; the Further Education College, key employers (such as City Airport), and voluntary sector organisations). Existing actions include: working with contractors on major developments to prioritise the use of local labour; setting up customised training schemes linking local people to jobs; a job brokerage service to help local people obtain permanent jobs in health and social care; initiatives to link school children into opportunities resulting from the renewal of Newham; and providing support for voluntary sector training providers in developing projects that successfully move people into employment.

Within Newham there are a wide range of initiatives aimed at reducing unemployment and worklessness, usually targeted at particular social groups. One of the most recent is the Employment Zone initiative, covering 15 wards of the Borough. Starting in April 2004, the initiative is being delivered by three private sector providers over a five year period, who are required to adopt innovative and tailor-made solutions for the long-term unemployed and harder to help people. This involves tackling barriers to employment on an individual basis, through personal one-to-one support, and can include specific coaching, mentoring and tailored action plans to move people forward.

Neighbourhood Level

At the local neighbourhood level, one of the main area-based initiatives in the Borough is the West Ham and Plaistow New Deal for Communities programme which started in 2000 with a budget of £54m over ten years. The area covers a population of 10,000 people, or 4,000 households, 51 per cent of whom are white British, the rest being mainly black African or Caribbean. The NDC is divided into five neighbourhoods, each of which tends to differ in terms of housing and population characteristics. The economy theme of the NDC focuses on reducing unemployment and increasing the employability of the

resident population, with many projects being training related, such as those concerned with child-care/minding training; training for the construction sector; and language training. One key project here has been 'Elite', a job brokerage project started in 2000, which targets the hardest to help, including those on Incapacity Benefit. Although it was initially delivered by Reed Partnership, the Elite project is now run 'in house' by the NDC to ensure a close integration with other projects. A recent evaluation of the project by the Greater London Enterprise (GLE) was largely favourable, although one area of criticism was the lack of direct links with local employers. Another project associated with the Elite project is the Construction Labour Initiative which aims to encourage local construction companies to source local labour, including those companies undertaking the housing redevelopment projects within the NDC area itself. More generally, the NDC economic theme manager works alongside intermediary agencies such as Jobcentre Plus on other sector projects (such as Excel in the Royal Docks and the Gallions Reach retail development in Beckton) to help make residents of the NDC area aware of these job opportunities.

A central project for the NDC as a whole is the building three resource centres which aim to bring a range of community services and resources together under one roof. The first of these, located at Canning Town, is at a shop front location and aims to be 'a magnet' for a range of services, including the community mental health team, a residents service organisation, a chemist, a nursery, and a police team. The second, which incorporates sports facilities for young people, is currently being built and located in a park. As well as NDC funding, additional capital funding is being provided through the EU Structural Funds programme.

According to the NDC's economy theme manager, there is a deliberate shift of emphasis in the second five years of the NDC, towards community capacity building projects through encouraging local communities to come up with the ideas for projects and to take responsibility for managing them. The NDC is using its Community Initiatives Fund to provide training programmes to help resident development projects. On one estate for example, this has led to a health food community enterprise being set up, staffed by volunteers.

5.4.2 THE CO-ORDINATION AND INTEGRATION OF POLICY

Short-termism

As recognised in the latest LDA draft economic strategy, there are a confusing number of small scale and often overlapping policy initiatives and projects concerned with regeneration, with resources being spent in an 'ad hoc' and unco-ordinated way. The 'Going East' strategy also makes the point that scarce funding resources are being stretched too far without achieving real change. This continues to be the view of some of those closely associated with economic development policies in east London and interviewed as part of this study. For example, the TGLP interviewee considers, with respect to the Objective 2 programme, that resources are being spread too thinly across a large number of relatively small projects, rather than being concentrated on a smaller number of strategic projects which are more likely to have the critical mass needed to result in sustained investment and development. The interviewee talked about 'an oasis of Objective 2', as isolated ERDF projects were surrounded by areas which were still largely derelict and run down.

This fragmentation of resources is thought to have arisen partly because of the 'bid culture' which has been encouraged in recent years and the large number of organisations competing for a share of the resources that are available. One of the private training organisations that was interviewed also thought that the competition for funding was leading to different organisations ending up doing similar things, often targeting the same social groups and local communities. The fragmentation is also thought to be a consequence of the limited time horizons for spending public money and the political desire to be able to show results on the ground quickly. The Objective 2 programme has thus become a short-term spend programme rather than a long-term investment strategy, with an emphasis on maximising the spend and achieving outputs to avoid the risk of the money being returned to Brussels. The race to have money committed has, therefore, been standing in the way of a more co-ordinated and strategic approach to economic regeneration within east London.

Mismatches between funding streams

In recent years, it appears to have become more difficult to match together different funding streams. This was a point made particularly by those with responsibility for the Objective 2 programme in the Lower Lea Valley. Previously, the SRB had proved an important source of UK government matched funding for projects supported by the Structural Funds programme, and had enabled some synergy between these funding programmes. Thus the Assess to Excellence programme in Newham is able to successfully fuse both SRB and ERDF/ESF resources. However, this has become more difficult with the phasing out of the SRB and the shift towards other regeneration resources, notably the NRF. There appears to be less compatibility between the Neighbourhood Renewal Fund and Structural Funds, partly because the bulk of NRF spending is going on projects (eg housing and community safety projects) which are ineligible for spending under the ERDF. In the case of Newham, there appears to be relatively little linkage between the use of the NRF and Objective 2 spending compared to that with the SRB previously.

Partnership working

Unlike some of the other case studies, the relationships between the local authority and the NDC appear to work well, as do those between the NDC and several other key local partners. This may be because of the strong ties between Newham Council and the West Ham and Plaistow NDC which were built-in from the beginning. The core team in the NDC are Council employees, several of them seconded from the Council's regeneration team where they had been working on regeneration projects within the Council for many years, including Stratford City Challenge and the Canning Town SRB. There is therefore a good understanding of the regeneration challenges facing the Borough and how the NDC complements other initiatives. One of the advantages of the NDC is that it comprises a multi-disciplinary team of professionals (including planners, community workers, and health specialists), and it is felt that other organisations can benefit from this. The Council has been responsible for the financial management of the NDC over its first five years, although this is now changing with the NDC being given more responsibility for its own financial management.

From an NDC perspective, there did not appear to be any serious tensions or conflicts of objectives with other organisations involved in economic

development and employment issues. The NDC's economy theme manager had been involved in discussions with education and regeneration partners over sector skills strategies at the sub-regional level and was involved with the Council's Access to Jobs partnership. She had also struck up a good relationship with the East London Business Alliance (ELBA) leading to the ELBA providing business mentors for several projects within the NDC area. Good partnership working was also reported to be taking place between the NDC and the Strategic Health Authority. However, some problems were being experienced in engaging with the LSC London East at a strategic level, possibly arising from various staff changes within the LSC.

A rather more circumspect view of the effectiveness of local partnership working came from the interviewed member of the voluntary sector, who was also a member of the Local Strategic Partnership executive. Much of his concerns focused on the LSP and the way it was currently being restructured. After a promising start, voluntary sector members became rather disillusioned about the LSP and the role they had to play in it. This stemmed partly from the decision of the Council to replace the ten neighbourhood facilitators, who were essentially the arms and legs of the ten Community Forums that had been established as the basis for delivering neighbourhood renewal, by a number of community participation units specialising on particular activities (eg employment, housing) across all ten Community Forum areas. This was seen as removing those people best able to gain the trust of and engage with the local communities. Another factor leading to a growing sense of disillusionment amongst the voluntary sector has been the increasing power and influence of the Mayor of Newham, which has left members of the LSP, as well as many councillors, feeling threatened and side-lined. The Mayor appears to be exerting considerable influence over the use of regeneration resources within the Borough, as well as over the future shape of the 'Employment' and 'Regeneration' strategies that are currently being finalised.

5.4.3 CONCLUSIONS

Despite the fact that Newham has been on the receiving end of most of the government's regeneration policy initiatives over the last twenty years, it remains one of London's most deprived areas and indeed, on a number of measures, one of the most deprived districts within England. Whilst it would be wrong to conclude that there have not been any improvements resulting from these interventions, the impact has been limited and localised in relation to the scale of the problems that the Borough faces. Some may see this as proof that area-based solutions are ineffectual in tackling what are more deep seated societal problems. Others might argue that the best use has not been made of the resources available, being spread too thinly and leading to a number of small scale 'experiments' of limited duration. The persistence of deprivation in Newham also shows how it is difficult to ensure that regeneration spending transforms communities and neighbourhoods rather than improving the life chances of individuals who then end up by moving away, only to be replaced by others experiencing social and economic exclusion.

As recognised in a number of existing strategies and policy statements, the key challenge facing Newham is how to optimise the benefits from the overall

dynamism and growth of the London economy and, more specifically, how to ensure that its local residents benefit from the planned developments and investments at the London end of the Thames Gateway. Much of the growth in employment that has occurred within a five mile radius of the Borough in recent years appears to have bypassed a large proportion of its population. As we have seen, the employment of Newham's population is skewed towards personal service and sales jobs, and low skilled occupations rather than more professional and managerial jobs, indicating that Newham residents have been in a weak position to compete for the better paid and quality jobs within the London labour market. This study has shown that the reasons for this are complex and difficult to unravel, involving issues to do with ethnicity and cultural traditions, educational attainment and skills, English language competencies, attitudes to work, child-care responsibilities, and informal working, as well as perceptions about the poor quality of much of the work that is available, and the risks that are involved in coming off benefit. Whilst it appears that Newham Council and other local partners within the Access to Jobs Partnership are increasingly aware of the various barriers to employment, the challenge is to find innovative and more effective ways of using the growing economic opportunities that exist within the sub-region to tackle the employment needs within Newham's deprived neighbourhoods.

There is evidence of increasing co-ordination and joined-up working between the agencies involved in economic development, employment, and regeneration within Newham. Moreover, the LSP is currently finalising both an employment strategy and a regeneration strategy that aim to ensure key players work towards the same clearly defined goals and targets. Until now, however, there has been something of a policy vacuum at the sub-regional level which has made it difficult for the Borough to link into developments at the wider spatial scale. Previous strategies have been criticised for being rather aspirational in tone rather than based on what is realistically achievable given the resources that are available. The intention of the LDA to translate the revised economic development strategy into a number of more detailed sub-regional economic strategies promises to redress this gap and to provide a more coherent framework for linking the opportunities in the sub-region to the needs of deprived localities.

Please see page 258 for details of interview sources and references relating to this case study.

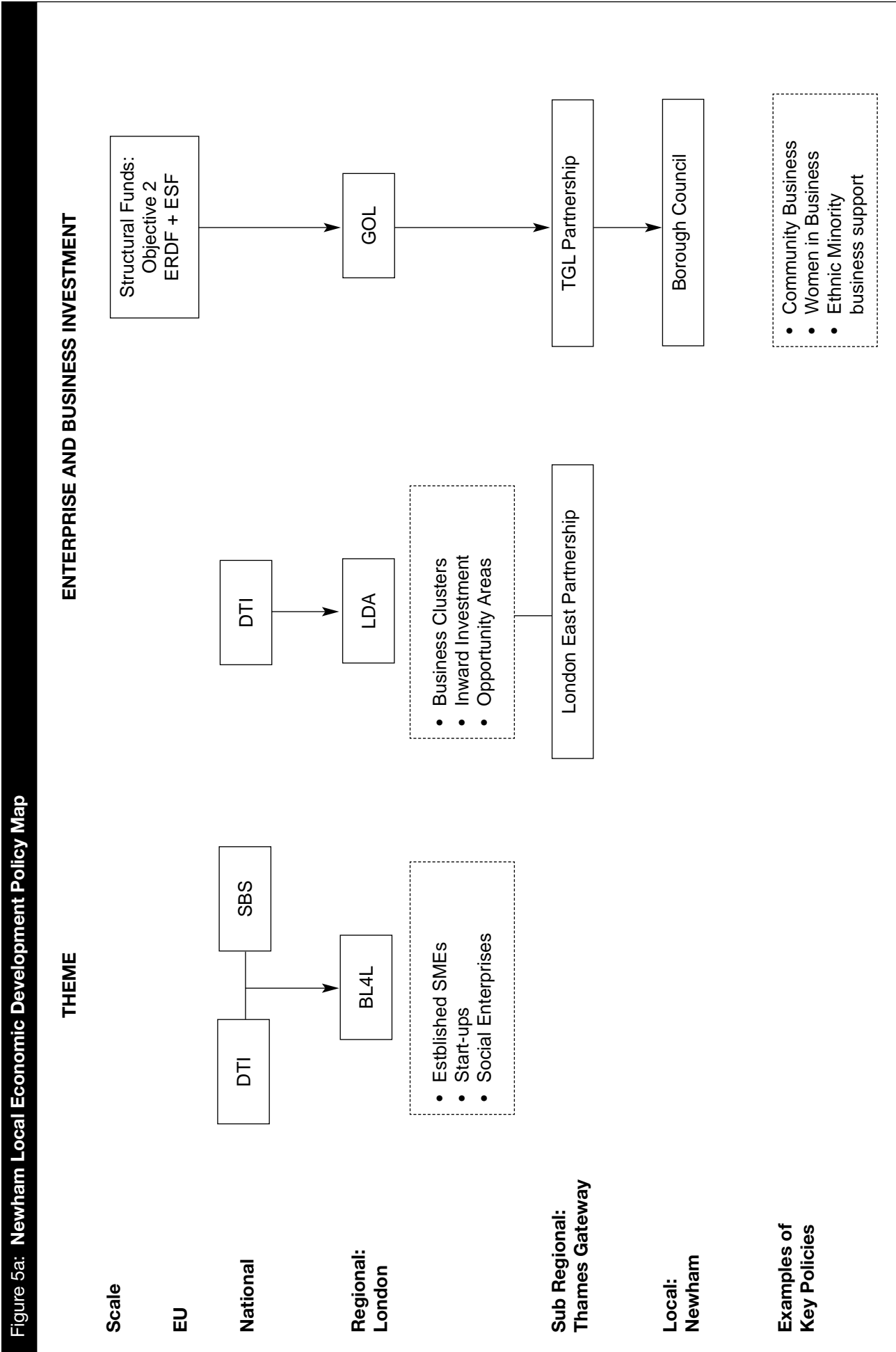
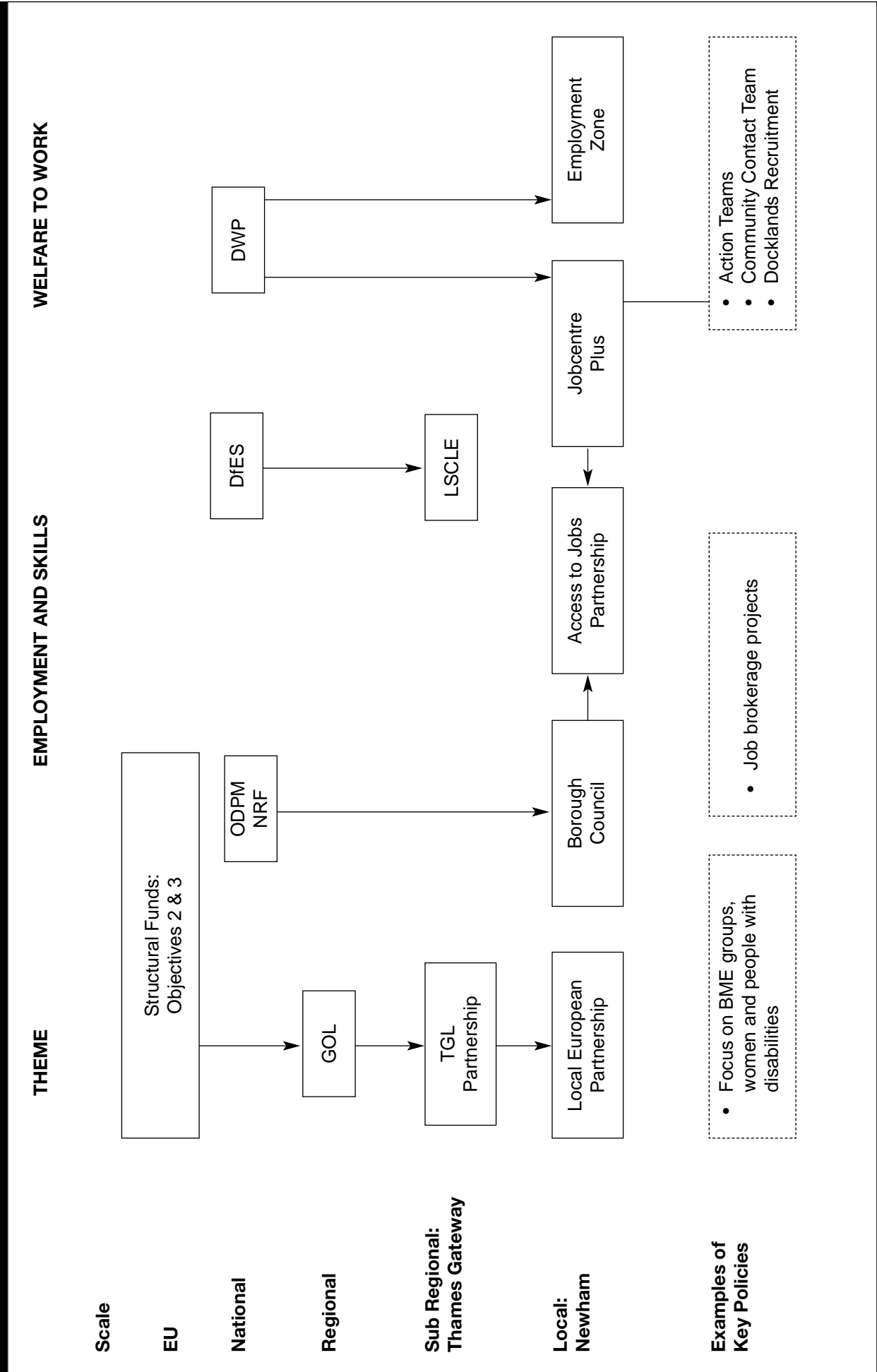
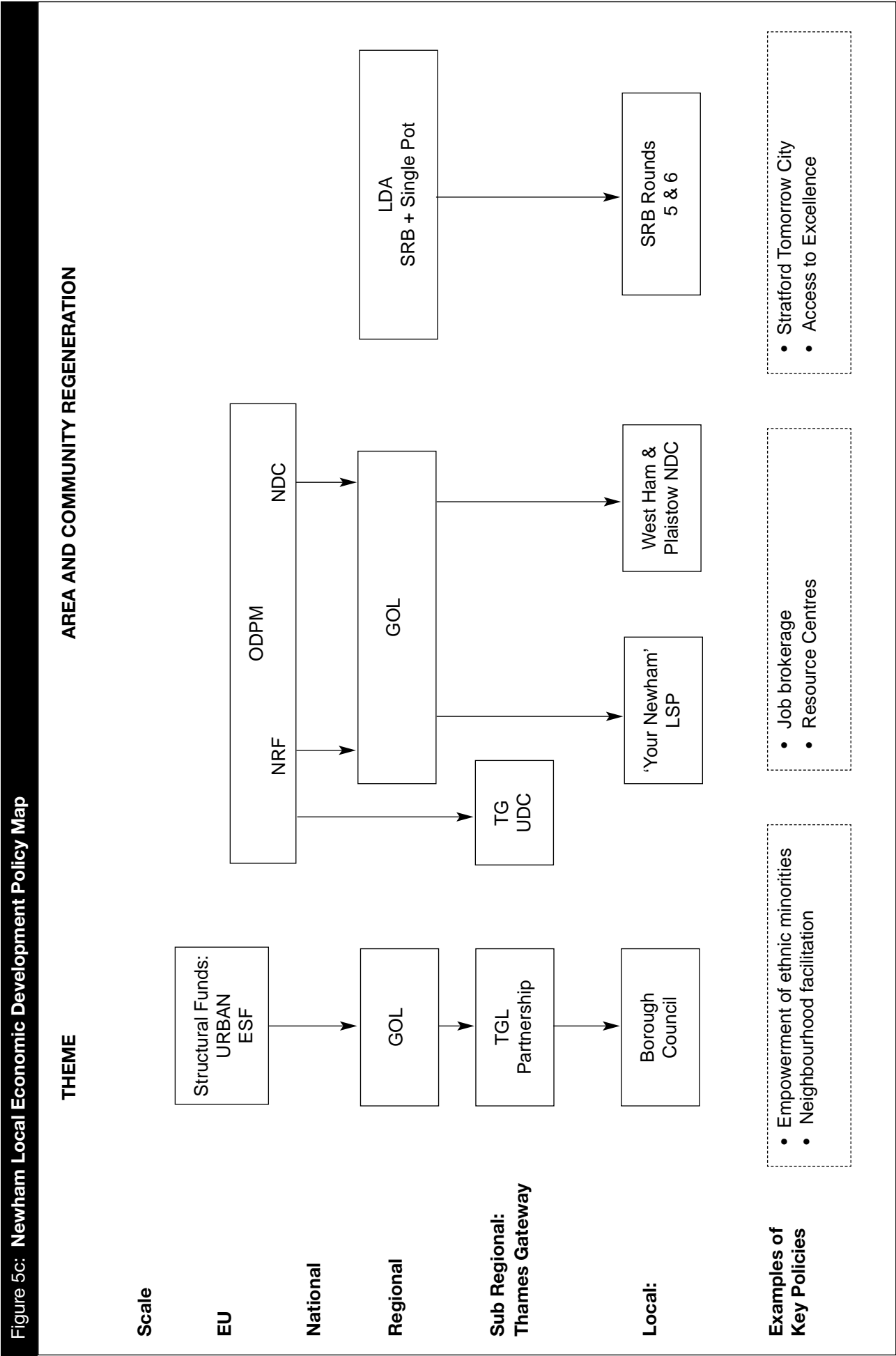


Figure 5b: Newham Local Economic Development Policy Map





SOURCES

Case Study 1: Sunderland

INTERVIEWS:

Business Link Tyne & Wear, Susan Oliphant (External Liaison) & Michelle Duggan (Policy & Network Co-ordinator).

City of Sunderland, Phil Spooner (Head of Service Regeneration & Housing) & Janet Snaith (Head of City Business and Investment Team).

Coalfield Regeneration Trust, Jen McKevitt, (Assistant Director of Programmes).

Learning & Skills Council Tyne & Wear, Jessica May, (Senior Manager Social Inclusion).

Community Consultants, Hazel Clark* & Leigh-Anne Hutchinson – also Hendon residents.

EMW Consulting, Iain Kay,

Social Enterprise Sunderland, Hendon Co-operative Centre, Kevin Marquis* and Mark Saddington,

East End and Hendon New Deal for Communities, Pauline Hopper, (Programme Development Officer).

Tynewear Partnership, George Snaith, (Programme Manager).

Case Study 2: Oldham

INTERVIEWS

SRB3, Oldham Business Centre, Shirley Allen

New Deal for Communities, Bernadette Elder, (Project Co-Ordinator for Neighbourhood Community Team)

Jobcentre Plus, Christine Heaton, (District Manager)

Government Office North West, Kevin Brady, (Neighbourhood Renewal Team Leader)

* Kevin Marquis and Hazel Clark were, respectively, Partnership Chair and Vice Chair of East End and Hendon NDC until recently.

Greater Manchester LSC, Claire Humphries, (Head of Strategy and Planning).

North West Development Agency, Mike Hollows, (Senior Executive, Head of North Manchester Team)

Oldham MBC – Steven Hopley, Principal Development Officer (Oldham Business Centre)

Groundwork Trust, Robin Henshaw, (also vice-chair of Learning and Skills Partnership)

Oldham Business Centre, Paul White (Economic Development Manager)

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Case Study 3: Mansfield

INTERVIEWS

- Mansfield Jobcentre Plus, Babu Ganatra.
- Mansfield District Council, Diana Gilhespy, (Lead Officer Economic Development).
- Alliance SSP, North Derbyshire and North Nottinghamshire Sub-Regional Strategic Partnership, Andrew Street (Chief Executive) and Stefanie Stubbs (Strategic Partnership manager: Employment and Skills).
- Northfield Neighbourhood Management Team, Peter Sutcliffe,
- Mansfield District Council, Anne Chisholm, Neighbourhood Renewal Fund Development Officer,
- Councillor, Barbara Nestor.
- Mansfield Area Strategic Partnership (MASP), Phil Lyons, (Chair).
- Mansfield 2010/MANSKEP, Bernard Wale, (Chief Executive).

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Case Study 4: Brighton and Hove

INTERVIEWS

Brighton and Hove City Council, Bruce Nairn (Business Economic Research Officer)

NR Team Co-ordinator, Sarah Hardman

Local Strategic Partnership, Simon Newall, (Chairman)

EB4U/BIC, Lorraine Bell, (Business Community Manager)

EB4U (East Brighton NDC), Graham Maunders (Project Director)

University of Brighton, Peter Ambrose, Professor of Housing

Sussex LSC, Aidan Pettit (Strategic Planning Advisor)

The Enterprise Agency Brighton Hove and Lewes, Jane North (Chief Executive)

Brighton and Hove Council, Economic Regeneration Division: Economic Development Team – Services to Businesses, Andy Glover (Industrial Estates Officer), Bruce Nairne (Business Economic Research Officer)

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Case Study 5: Newham

INTERVIEWS

East London Business Alliance, Marvin Aristotle

Reed and Co. Ltd, Abby Okebola

Newham Voluntary Sector Consortium, Terry Diggines

Newham Borough Council, Cllr. Alec Kellaway, (advisor to the Mayor)

Newham Borough Council, Jane Sherwood, (Business and Employment Manager)

Newham Borough Council, Emma Lindsell, (Evergreen Funding and Policy Officer)

Thames Gateway London Partnership, Paul Morrissey (Programme Manager)

West Ham and Plaistow NDC, Beth Webber (Economy Theme Manager)

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